BACAU CITY HALL

Annual financial report

as of December 31st 2016

Table of contents

- General overview

Part I: Summary of budgetary evolutions

- Balance of revenues and expenditures in the period of 2013 - 2016
- Structure of revenues and expenditures in 2016

Part II: Budgetary revenues

- The situation of the revenues collected in the period of 2013 - 2016
- The dynamics of the revenues collected in the period of 2013 - 2016
- The dynamics of the revenues collected in 2016, as compared to the level attained in 2015
- Budgetary provisions: the achievement degree of the revenues collected in 2016
- Revenues ratios
- Budgetary provisions for 2017

Part III: Budgetary expenditures (functional and economic classification)

- The situation of the expenditures performed in the period of 2013 - 2016
- The dynamics of the expenditures performed in the period of 2013 - 2016
- The dynamics of the expenditures performed in 2016, as compared to the level attained in 2015
- Budgetary provisions: the achievement degree of the expenditures performed in 2016
- Expenditures ratios
- Budgetary provisions for 2017

Part IV:

- Balance sheet in the period of 2013 - 2016
- Local Public Debt Service

Glossary of terms

Disclaimer

General overview

General information

Bacau City is the capital of Bacau County, part of the North – East Development Region.

The N-E Region is part of the old historical region of Moldavia and consists of six counties (Bacau, Botosani, Iasi, Neamt, Suceava, Iasi), with a total area of 36,850 km², thus ranking from this point of view, the first among the eight regions of the country (16.53% of Romania's total population). The region covers 15.46% of the total area of the country, the largest counties being Suceava, with an area of 8.553 km² and Bacau, with 6.621 km².

Territorial administration (December 31st 2015)	N-E Region	Bacau County	City of Bacau
Territorial area(sqkm)	36,850.0	6,621.0	43.0
Green spaces area (ha)	3,159.0	789.0	385.0
Public sewerage system (km)	3,735.7	703.2	212.6

Population according to residence (July 1st 2016)	N-E Region	Bacau County	City of Bacau
Area	3,924,954	745,279	196,562
urban	*1,765,297*	*351,164*	*196,562*
rural	*2,159,657*	*394,115*	
Age groups	3,924,954	745,279	196,562
0-19 years	*882,562*	*160,282*	*35,869*
20-44 years	*1,497,431*	*281,754*	*77,050*
45-59 years	*759,867*	*152,492*	*44,567*
60 years and over	*785,094*	*150,751*	*39,076*
Sex	3,924,954	745,279	196,562
female	*1,973,224*	*376,702*	*102,995*
male	*1,951,730*	*368,577*	*93,567*

Work force (tks persons, as of December 31st 2015)	N-E Region	Bacau County	City of Bacau
Occupied civilians	1,149.4	201.2	n/a
Average employees number*	513.6	101.4	57.8
Unemployment rate	6.3%	6.6%	n/a

**) The average number of employees by economic activities at national level NACE Rev. 2 section*

Economics	N-E Region	Bacau County	City of Bacau
GDP (2014YE), mil RON (current prices)	67,169.4	12,836.5	n/a

** Source: Year 2014 CNP estimates based on the data at national level; data according to ESA 2010 methodology.*

Turnover* (2015, mil lei)	84,512.0	16,694.0	n/a
Manufacturing industry	28.6%	24.9%	
Constructions	8.7%	9.9%	
and motorcycles	45.1%	50.9%	
Transport, storage and postal and courier activities	5.5%	3.8%	

**The turnover of the local units active in industry, construction, trade and other services, the activities of the national economy, NACE code rev.2, in 2015 (RON million, current prices)*

Bacau County - infrastructure

The infrastructure network includes railways, roads and air transportation.

Bacau County is crossed by a number of county, national and European roads (E85, E574) totalling 2,455 km.

In terms of rail transport, the county is situated on the IX Pan European Corridor railway network that crosses Romania from south to north and connects the cities: Giurgiu - Bucharest - Ploiesti - Buzau - Focsani - Bacau - Iasi.

The air traffic is ensured through George Enescu International Airport - Bacau.

ths RON

Ratios 2016	Total of municipalities from the N-E Region	Municipalities - county capitals					
		Bacau	Botosani	Iasi	Piatra Neamt	Suceava	Vaslui
TOTAL REVENUES (TR)	**2,544,696**	**347,509**	**207,290**	**682,817**	**187,595**	**239,875**	**135,164**
Own revenues	1,261,655	193,574	96,728	378,521	95,561	129,131	58,745
Own revenues % TR	49.6%	55.7%	46.7%	55.4%	50.9%	53.8%	43.5%
Revenues from the State Budget	1,221,111	147,801	104,911	282,426	91,125	109,526	72,773
Revenues from the State Budget % TR	48.0%	42.5%	50.6%	41.4%	48.6%	45.7%	53.8%
Sums received from the EU for the made payments	45,167	5,319	4,821	20,735	316	603	3,262
TOTAL EXPENDITURES (TExp)	**1,726,238**	**318,963**	**202,539**	**648,347**	**189,742**	**239,675**	**126,972**
Operational expenditures	1,433,797	266,785	174,930	518,983	152,199	202,021	118,879
Operational expenditures % TExp	83.1%	83.6%	86.4%	80.0%	80.2%	84.3%	93.6%
Investment expenditures	134,022	18,872	11,963	63,948	14,654	17,823	6,763
Local budget	101,591	8,150	10,737	49,479	14,654	14,990	3,581
Non-reimbursable external funds	32,010	10,300	1,226	14,468	0	2,833	3,182
Financial expenditures	158,840	33,727	15,645	65,417	22,889	19,831	1,330
THE RESULT OF THE PERIOD (TR - TExp)	**818,458**	**28,546**	**4,752**	**34,470**	**-2,147**	**200**	**8,192**

General overview

Bacau City - Local Council at December 31st 2016

Local Council - Political structure

Local Council - Age distribution

Local Council - Gender distribution

Local Council structure by political party, profession and age groups

Partid	Nr.	Specializare	Gr. varsta
PSD	1	Engineer	35-44 years
PNL	1	Engineer	45-59 years
PSRO	1	Technician	60 years and ov
PSD	1	Economist	20-34 years
PSRO	1	Professor	60 years and ov
PSD	1	Professor	20-34 years
PNL	1	Architect	20-34 years
PSD	1	Doctor	35-44 years
PSD	1	Economist	45-59 years
PNL	1	Engineer	35-44 years
PSD	1	Professor - coach	35-44 years
ALDE	1	Economist	45-59 years
INDEP.	1	Student	20-34 years
PMP	1	Retired	60 years and ov
PSRO	1	Construction engineer	45-59 years
PNL	1	Doctor	45-59 years
PSD	2	Professor	45-59 years
PSRO	1	Economist	45-59 years
PNL	1	Legal adviser	35-44 years
PSD	1	Chemist	35-44 years

Bacau Local Council Commissions and their political structure

Following the Local elections from June 2016, Mr. Cosmin Necula, representing the Social Democratic Party (PSD), was elected Mayor of Bacau City. Mr. Necula is a legal adviser, age 38.

Based on LCD no 202 / 23.06.2016, the deputy-Mayor positions are held by Mr. Stefan Daniel - Dragos, representing the Alliance of Liberals and Democrats party (ALDE), he is an economist, age 40, and by Mr. Scripat Constantin, representing the People's Movement Party (PMP), he is an engineer, age 60.

Mr. Nicolae Ovidiu Popovici is the Secretary of Bacau City, politically independent. He is a legal adviser, age 47.

General overview

Institutions and departments subordinated Bacau City Council

- **Bacau City Local Police** – the current expenditures as well as the investment expenditures are financed from own revenues and subsidies from the Local Budget of Bacau City

- **Bacau Local Development Agency** – the agency's main objective is the realization of the set of measures, programs, professional activities that contribute to the economic and social development of Bacau City

- **The Department of Social Work** assures the social assistance in child protection, family, single persons, elderly, people with disabilities, as well as for any person in need.

- **The Public Department for People evidence**

Cultural and social environment

Education

The existing educational network in Bacau city covers the entire educational plan; thus there are 39 kindergartens, 19 schools (primary and secondary education), 16 high schools and vocational education units and two university colleges. The funding of the school education sistem is done based on the National Education Law no.1 / 2011 and subsequent amendments.

Culture and recreation

Among the cultural points of Bacau, we can mention: the Ensemble of the Royal Court, XV-XVI centuries, George Bacovia Memorial House, XIX century, the "Bacovia" Drama Theatre, the Animation Theater, the History Museum, the Art Museum, the Museum of Natural Sciences, the Astronomical Observatory, the County Library, "George Apostu" International Cultural Center, the Philharmonic, "Anton Ciobanu" Ceramic Art Galleries.

For leisure and recreation, in Bacau, there are 376 ha green areas, the most important parks being the Rose Park, the Cancicov Park, Hemeius Arboretum Park, and the Leisure Island (an artificial island created in the middle of a lake formed by the river Bistrita, arranged for recreation).

Social assistance

Within the Department of Social Work are organized and operated: the day care center "A school for all", the day care center for children in difficulty, the day centre for children with special needs, the day care center "Pensioners Club", the center of family care (foster parents) and the Center for temporary accommodation of the homeless.

Health Care

Bacau County Hospital provides preventive, curative and rehabilitation healthcare, for the residents from Bacau city and its surrounding villages, representing more than 47% of the county population.

Bacau Pneumology Hospital, is a medical unit subordinated to Bacau Local Council.

Bacau Municipal Hospital – the investments related to the construction and acquisition of medical equipment are currently in progress.

Table of contents Part I

Part I: Summary of budgetary evolutions

- Balance of revenues and expenditures in the period of 2013 - 2016
- Structure of revenues and expenditures in 2016

Balance of revenues and expenditures

in the period of 2013 - 2016

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		2013	2014	%	2015	%	2016	%
	TOTAL REVENUES	**408,050.5**	**376,994.8**	**-7.6%**	**392,878.3**	**4.2%**	**347,508.9**	**-11.5%**
	TOTAL EXPENDITURES	**390,352.5**	**369,723.0**	**-5.3%**	**392,854.6**	**6.3%**	**318,962.7**	**-18.8%**
1	**Operational Revenues**	**314,513.9**	**302,413.6**	**-3.8%**	**311,562.5**	**3.0%**	**336,238.8**	**7.9%**
2	**Tax revenues**	**268,011.0**	**265,744.7**	**-0.8%**	**272,139.2**	**2.4%**	**293,836.9**	**8.0%**
3	Own tax revenues	145,155.5	138,535.2	-4.6%	138,547.8	0.0%	151,246.9	9.2%
4	Sums deducted from VAT	122,855.5	127,209.4	3.5%	133,591.4	5.0%	142,590.0	6.7%
5	**Non - tax revenues, out of which:**	**46,039.3**	**36,651.0**	**-20.4%**	**39,317.1**	**7.3%**	**41,800.9**	**6.3%**
6	Non - tax own revenues	29,108.1	19,987.6	-31.3%	21,077.2	5.5%	20,973.1	-0.5%
7	Donations and sponsorships	61.8	37.0	-40.2%	22.4	-39.4%	1.3	-94.2%
8	**Current subsidies**	**463.5**	**17.9**	**-96.1%**	**18.2**	**1.8%**	**13.7**	**-24.7%**
1	**Operational Expenditures (OPEX), out of which:**	**243,868.1**	**253,682.9**	**4.0%**	**268,148.7**	**5.7%**	**266,332.7**	**-0.7%**
2	Staff costs (PEREX)	109,929.2	124,746.7	13.5%	131,045.5	5.0%	136,817.2	4.4%
3	Goods and services*	93,659.5	78,749.8	-15.9%	81,367.6	3.3%	74,361.1	-8.6%
4	Current transfers	10,058.9	13,254.3	31.8%	18,851.8	42.2%	19,456.5	3.2%
5	Social assistance	12,000.6	10,245.3	-14.6%	12,395.4	21.0%	18,618.2	50.2%
6	Subsidies	6,147.0	10,700.0	74.1%	11,927.6	11.5%	6,000.0	-49.7%
7	Other expenditures	12,072.9	15,986.7	32.4%	12,560.8	-21.4%	11,079.7	-11.8%
	Operational Result	**70,645.7**	**48,730.7**		**43,413.7**		**69,906.1**	
	Operational Surplus (% from OPEX)	29.0%	19.2%		16.2%		26.2%	
	Operational Deficit (% from Op. revenues)	-	-		-		-	
1	**Investment Revenues**	**93,536.6**	**74,581.3**	**-20.3%**	**81,315.9**	**9.0%**	**11,270.2**	**-86.1%**
2	Capital revenues	506.9	485.2	-4.3%	616.9	27.2%	693.8	12.5%
3	Capital subsidies	63,878.8	38,075.3	-40.4%	49,143.3	29.1%	5,197.5	-89.4%
4	Sums received from the EU	29,151.0	36,020.8	23.6%	31,555.6	-12.4%	5,319.3	-83.1%
1	**Investment Expenditures (CAPEX), out of which:**	**120,896.5**	**90,375.0**	**-25.2%**	**110,418.8**	**22.2%**	**18,871.5**	**-82.9%**
2	Capital transfers	251.6	198.9	-21.0%	164.0	-17.5%	420.9	156.7%
3	Projects with EU financing	79,697.0	68,676.4	-13.8%	95,727.3	39.4%	10,300.5	-89.2%
4	Capital expenditures	40,947.9	21,499.7	-47.5%	14,527.5	-32.4%	8,150.2	-43.9%
	Result from the investment activity	**- 27,359.9**	**- 15,793.7**		**- 29,102.9**		**- 7,601.4**	
1	**Financial Revenues**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2	Financial operations	-	-	-	-	-	-	-
1	**Financial Expenditures**	**25,587.8**	**25,665.1**	**0.3%**	**14,287.1**	**-44.3%**	**33,758.5**	**136.3%**
2	Commissions related to loans	127.0	371.0	192.2%	239.3	-35.5%	31.2	-87.0%
3	Interests	15,252.0	9,304.4	-39.0%	4,790.7	-48.5%	4,672.1	-2.5%
4	Reimbursement of loans	10,208.8	15,989.8	56.6%	9,257.0	-42.1%	29,055.2	213.9%
	Financial Result	**- 25,587.8**	**- 25,665.1**		**- 14,287.1**		**- 33,758.5**	
	Result of the period	**17,698.0**	**7,271.9**		**23.8**		**28,546.3**	
	Surplus (% from Total Expenditures)	4.5%	2.0%		0.0%		8.9%	
	Deficit (% from Total Revenues)	-	-		-		-	
	Previous result	1,808.0	19,506.1		26,777.9		26,801.7	
	Current result (Previous result + Result of the period)	**19,506.1**	**26,777.9**		**26,801.7**		**55,348.0**	
	Own revenues/Operational revenues (%)	60.9%	58.1%		57.3%		57.6%	
	OPEX/Own revenues (%)	127.3%	144.4%		150.3%		137.5%	
	(OPEX-PEREX, from Education&Insurance and social assistance)/(O. Rev.-Quotas deducted from the income tax) (%)	161.3%	172.8%		179.3%		160.7%	

*) **Goods and services** title, highlighted within the Operational Expenditures, does not include the expenditures on **Commissions and other costs related to loans**, being reflected at the level of the Financial Expenditures;

Balance of revenues and expenditures

in the period of 2013 - 2016

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The operational result recorded a downward trend for the period 2013-2015, having in view the increasing operational expenditures, coupled with the oscillating evolution of the operating revenues (-3.8% in 2014 and +3% in 2015). As of 2016YE, the operating result was by 61% over the level incurred as of 2015YE, as a result of higher revenues collected (+7.9%), while the expenses reduced by 0.7%.

The result from the investment activity was negative for every budgetary year, yet at 2016YE the gap was more reduced having in view the lower investment expenditures incurred. The structure of the Investment expenditures by main budget chapters and the dynamics through the analysed period are shown in the charts below.

The financial expenditures posted an oscillating trend, mainly generated by the evolution of the Loan reimbursements expenses. In Q4/ 2014 there were recorded advance repayments related to a credit facility contracted from the Ministry of Finance (related to the capital payments for 2015) and expired the grace period of an ongoing loan facility. In 2015, the payments made recorded a lower level, mainly due to the refinancing of an ongoing credit facility (and the extension of the grace period), and 2016 marked a significant increase, mainly considering the reimbursements related to the loans contracted from the Ministry of Finance.

The final result is positive for all analysed periods, highly correlated with the operational result.

Structure of revenues and expenditures

at December 31st 2016

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The structure of performed own revenues 193,740.3

The structure of performed total revenues 347,508.9

The structure of the rectified own revenues 191,911.3

The structure of the rectified total revenues 397,596.3

The structure of the performed functional expenditures 347,508.9

The structure of the performed economic expenditures 347,508.9

The structure of the rectified functional expenditures 397,596.3

The structure of the rectified economic expenditures 397,596.3

Note: The vertical axis reflects the components of the Revenues/Expenditures, which are detailed in the Revenues/Expenditures situation

Revenues collected in 2016

Expenditures incurred in 2016

Rectified revenues at 2016YE

Rectified expenditures at 2016YE

Table of contents Part II

Part II: Budgetary revenues

- The situation of the revenues collected in the period of 2013 - 2016
- The dynamics of the revenues collected in the period of 2013 - 2016
- The dynamics of the revenues collected in 2016, as compared to the level attained in 2015
- Budgetary provisions: the achievement degree of the revenues collected in 2016
- Revenues ratios
- Budgetary provisions for 2017

The situation of the collected revenues

for the period 2013 - 2016

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Line	Revenues summary	Evolution for the period*	The budgetary execution for 2013	% /TR	2014	% /TR	y/y	2015	% /TR	y/y	2016	% /TR	y/y	Planned 2016	% /TR	Revised 2016	% /TR	Planned 2017	% /TR
1	**Total revenues (TR)**	-5.2	**408,050.5**		**376,994.8**		-7.6	**392,878.3**		4.2	**347,508.9**		-11.5	**355,222.4**		**397,596.3**		**387,928.2**	
2	**Own revenues, of which:**	0.4	**191,639.8**	47.0	**175,634.4**	46.6	-8.4	**178,459.4**	45.4	1.6	**193,740.3**	55.8	8.6	**178,084.2**	50.1	**191,911.3**	48.3	**201,397.7**	51.9
3	Quotas deducted from the income tax	1.4	98,898.8	24.2	93,400.0	24.8	-5.6	94,285.3	24.0	0.9	103,256.7	29.7	9.5	94,200.0	26.5	102,332.6	25.7	119,000.0	30.7
4	Capital revenues	11.0	506.9	0.1	485.2	0.1	-4.3	616.9	0.2	27.2	693.8	0.2	12.5	-	-	-	-	-	-
5	Revenues from concessions and rents	-1.6	8,487.1	2.1	8,345.2	2.2	-1.7	8,580.9	2.2	2.8	8,092.2	2.3	-5.7	8,983.0	2.5	7,983.0	2.0	7,200.0	1.9
6	Payments from net profit of self-governing administration, national societies and companies		-	-	-	-		-	-		-	-		-	-	-	-	-	-
7	Revenues from dividends		-	-	-	-		-	-		-	-		-	-	-	-	-	-
8	Tax on revenues from the transfer of real estate from the private patrimony	2.4	2,460.1	0.6	2,086.1	0.6	-15.2	2,565.7	0.7	23.0	2,645.1	0.8	3.1	2,245.0	0.6	2,245.0	0.6	2,184.0	0.6
9	Tax on buildings from the population	3.0	10,037.6	2.5	9,703.6	2.6	-3.3	9,620.8	2.4	-0.9	10,974.6	3.2	14.1	8,445.0	2.4	10,908.0	2.7	12,508.8	3.2
10	Tax on land from the population	9.7	1,567.7	0.4	1,629.1	0.4	3.9	1,618.5	0.4	-0.6	2,068.1	0.6	27.8	1,753.0	0.5	2,000.0	0.5	3,446.7	0.9
11	Tax on the means of conveyance owned by the population	-0.7	4,953.6	1.2	4,817.6	1.3	-2.7	5,074.5	1.3	5.3	4,846.5	1.4	-4.5	4,186.0	1.2	4,728.0	1.2	5,000.0	1.3
12	Tax on buildings from the legal entities	1.5	12,087.3	3.0	13,481.5	3.6	11.5	12,658.5	3.2	-6.1	12,642.8	3.6	-0.1	11,512.0	3.2	13,000.0	3.3	11,000.0	2.8
13	Tax on land from the legal entities	4.3	2,120.8	0.5	2,168.3	0.6	2.2	2,056.1	0.5	-5.2	2,406.8	0.7	17.1	2,334.0	0.7	2,500.0	0.6	2,000.0	0.5
14	Tax on the means of conveyance owned by the legal entities	-3.6	4,326.4	1.1	4,035.0	1.1	-6.7	4,216.3	1.1	4.5	3,877.8	1.1	-8.0	4,343.0	1.2	4,301.0	1.1	5,022.0	1.3
15	Fees and charges for the issuance of licences and functioning authorisations	3.0	1,372.8	0.3	1,258.4	0.3	-8.3	1,501.1	0.4	19.3	1,498.9	0.4	-0.1	1,354.0	0.4	1,354.0	0.3	2,117.0	0.5
16	Stamp duties, for notary work and other stamp	-21.0	2,329.8	0.6	1,303.5	0.3	-44.1	1,114.5	0.3	-14.5	1,150.0	0.3	3.2	1,403.0	0.4	1,501.5	0.4	1,300.0	0.3
17	Extrajudicial stamp duties	-2.8	1,762.5	0.4	1,845.2	0.5	4.7	1,724.0	0.4	-6.6	1,617.4	0.5	-6.2	1,986.0	0.6	1,986.0	0.5	-	-
18	Revenues from fines and other legal sanctions	30.1	787.9	0.2	794.4	0.2	0.8	1,078.8	0.3	35.8	1,735.8	0.5	60.9	1,800.0	0.5	2,000.0	0.5	1,350.0	0.3
19	Other own revenues	-3.2	39,940.7	9.8	30,281.3	8.0	-24.2	31,747.6	8.1	4.8	36,233.7	10.4	14.1	33,540.2	9.4	35,072.2	8.8	29,269.2	7.5
20	Sums deducted from the VAT	5.1	122,855.5	30.1	127,209.4	33.7	3.5	133,591.4	34.0	5.0	142,590.0	41.0	6.7	120,370.0	33.9	146,678.0	36.9	149,160.0	38.5
21	Donations and sponsorships	-72.3	61.8	0.0	37.0	0.0	-40.2	22.4	0.0	-39.4	1.3	0.0	-94.2	-	-	1.3	0.0	-	-
22	Subsidies received from the State Budget	-56.7	64,342.4	15.8	38,093.1	10.1	-40.8	49,161.5	12.5	29.1	5,211.2	1.5	-89.4	32,519.5	9.2	34,087.0	8.6	23,258.8	6.0
23	Sums received from EU for the made payments	-43.3	29,151.0	7.1	36,020.8	9.6	23.6	31,555.6	8.0	-12.4	5,319.3	1.5	-83.1	24,248.7	6.8	24,248.7	6.1	14,111.8	3.6
24	Other revenues		-	-	-	-	-	88.0	0.0	-	646.9	0.2	-	-	-	669.9	0.2	-	-
	Operational revenues	2.6	314,513.9	77.1	302,413.6	80.2	-3.8	311,562.5	79.3	3.0	336,238.8	96.8	7.9	298,464.7	84.0	339,274.3	85.3	350,569.0	90.4
	Investment revenues	0.7	93,536.6	22.9	74,581.3	19.8	-20.3	81,315.9	20.7	9.0	11,270.2	3.2	-86.1	56,757.7	16.0	58,322.0	14.7	37,359.2	9.6
	Financial revenues		-	-	-	-		-	-		-	-		-	-	-	-	-	-
	Total revenues - operating section	5.8	**275,883.7**	67.6	**286,213.6**	75.9	3.7	**290,305.6**	73.9	1.4	**327,164.0**	94.1	12.7	**287,485.9**	80.9	**330,199.5**	83.0	**344,928.2**	88.9
	Total revenues - development section	-46.4	**132,166.8**	32.4	**90,781.3**	24.1	-31.3	**102,572.8**	26.1	13.0	**20,344.9**	5.9	-80.2	**67,736.5**	19.1	**67,396.8**	17.0	**43,000.1**	11.1

**) Evolution for the period - represents the Revenues' Compound annual growth rate for the analysed period 2013-2016*

The dynamics of the revenues collected for the period 2013 - 2016

'000 RON

Total revenues for the period 2013-2016

• For the period 2013–2016, the level of the total revenues collected at the local budget posted an oscillating trend. Accordingly in 2014, the total collections were by RON 31,055.7 ths below the 2013 level (-7.6%, highly due to lower revenues attained from the Subsidies received from the state budget and from the Quotas deducted from the income tax). On the account of higher revenues from the Sums deducted from the VAT as well as from Subsidies from the state budget, the total revenues collected in 2015 went up by RON 15,883.5 ths over the 2014 level (+4.2%). Further on, in 2016, having in view the low level of the Sums received from the EU for the made payments and of the Subsidies from the state budget (mainly capital subsidies for supporting the projects financed from post-accession NEF), the budgetary revenues were by RON 45,369.4 ths lower than the 2015 level (-11.5%).

• The revenues from the **Sums deducted from the VAT**, the main revenues chapter within the budget, posted an increasing trend for the analysed period, entirely on the account of larger amounts from the Sums deducted from VAT received for financing expenditures at county level, while the Sums deducted from VAT received for balancing the local budget posted a low level in 2014 and 2015.

• The **Subsidies received from the State Budget**, mainly related to Subsidies from the state budget to local budget for supporting the projects financed from post-accession NEF, posted a significant level for the period 2013-2015 (namely RON 50,365.8 ths in 2013 to RON 48,763.9 ths in 2015). In 2016, these revenues posted a low level, having in view the completion of the investment projects developed from the Regional Operational Programme 2007-2013. In addition, in 2013 there were recorded Subsidies from the own revenues of the Ministry of Health to the local budgets to finance health investments (in amount of RON 11,572.9 ths in 2013).

• In connection with the development of the investment projects financed from European funds, the revenues from the **Sums received from the EU for the payments made** recorded higher levels during 2013-2015 period, investment projects being financed from both the European Fund for Regional Development and the Cohesion Fund. In 2016, having in view the completion of the projects under the Regional Operational Programme 2007-2013, lower revenues were recorded, mainly related to the payments made during the previous periods (according to GD 678/2015, the last date for the expenses made by the beneficiaries to be eligible for payment under the programme was December 31st 2015).

• The **Own revenues** posted an oscillating trend, mainly as the result of the evolution of the revenues from the Quotas deducted from the income tax (the main revenue line within the Own revenues chapter) and of the level of Other own revenues collected.

The dynamics of the revenues collected for the period 2013 - 2016

'000 RON

Own revenues for the period 2013 - 2016

-> The proceeds from the **Quotas deducted from the income tax** dropped by RON 5,498.9 ths in 2014 versus the 2013 level (-5.6%), for the following period recording an upward trend, namely, they increased by RON 885.3 ths in 2015 (+ 0.9%) and by RON 8,971.4 ths in 2016 (+9.5%).

-> The revenues from the **Tax on property** recorded an oscillating evolution. Thus, in 2014, the total collections amounted to RON 35,835 ths (+2.1% over the 2013 level, as larger revenues were recorded from the legal entities). In 2015, the total revenues dropped by RON 590.4 ths below the 2014 level (-1.6%, highly on the account of lower collections from the legal entities). The level of the local taxes for 2014 and 2015 remained rather similar with the one approved for 2013.

For 2016, changes of the quotas regarding the tax on land and for the building property of private individuals were approved through LCD no. 245 from 03.12.2015. Hence, higher taxes were set up for the plots of land with a surface larger than 400sqm (through the application of some corrections). In addition, different taxation quotas were set up for the buildings held by the private individuals, according to the category of use, namely increased quotas were established for the non-residential buildings and for the properties used both for residential and business purposes. Following, the revenues from the Tax on property collected in 2016, in total amount of RON 36,816.7 ths) were by 4.5% over the 2015 level, the highest increase being recorded from the Tax on buildings from the population, by RON 1,353.8 ths (+14.1%).

-> Regarding the **Other own revenues collected** chapter, in 2014 their level dropped by 33.6% under the 2013 level, highly due to lower Other revenues attained (by 77.1%, to the level of RON 3,264.3 ths). In 2015, largely on the account of increased collections from Fines, they went up by 6.8%, being in total amount of RON 25,145.5 ths. In 2016, they amounted to RON 29,318.8 ths (+16.6% over the 2015 level), as higher collections were recorded from Fines, penalties and confiscations and from services rendered, coupled with Sums allocated from the quotas deducted from income tax to balance the local budgets being recorded in amount of RON 1,227.9 ths (in 2015, their level was rather low).

-> The revenues from the **Other taxes collected** chapter had an increasing evolution through the entire analysed period. Thus, in 2014, the revenues collected amounted to RON 22,848.8 ths (+3.1%), in 2015, the proceeds increased by 4.1% over the 2014 level, and in 2016 they amounted to RON 24,348 ths (+2.4%). The main revenues lines were:

- Special taxes (namely the sanitation fee); the proceeds from these taxes recorded an increasing trend through the period, from the level of RON 13,115 in 2013 to RON 15,358.9 ths in 2016.
- the revenues from Stamp duties, for notary work and other stamp duties that displayed an average decrease by 16.2%, that is from RON 2,329.8 ths in 2013 to RON 1,150 ths in 2016.
- Other taxes and duties on property, the revenues attained increased over the analysed period from RON 1,109.8 ths in 2013 to RON 1,770.2 ths in 2016.

The dynamics of the collected revenues

In 2016 as compared to the level attained in 2015

'000 RON

Total revenues

Own revenues

The total revenues collected in 2016 were by 11.5% below the 2015 level (-RON 45,369.4 ths), highly on the account of a lower revenues recorded at the level of the Subsidies from the State Budget and of the Sums received from EU for the made payments.

- The **Sums received from EU for the made payments** recorded a low level (being by 83.1% below the 2015 level), having in view the completion of the financing program POR 2007–2013, the last date for the expenses made by the beneficiaries to be eligible for payment under the programme was December 31st 2015 (according to GD 678/2015). Thus, the amounts received in 2016 were related to the payments made during the previous years

- The **Subsides received from the State budget** recorded a low level, as lower amounts were received as Capital subsidies, that is Subsidies from the state budget to local budget for supporting the projects financed from post-accession NEF (in amount of RON 4,642.2 ths, -90.5%) and for Thermal rehabilitation for housing buildings (-73.3%, to the level of RON 99.9 ths). The subsidies received in 2016 for the Reengineering of thermal and electrical station for heating were of RON 455.4 ths (no such revenues were recorded in 2015).

+ The revenues from the **Sums deducted from the VAT** were by RON 8,998.6 ths over the 2015 level (+6.7%). For the analysed period, revenues in amount of RON 890.3 ths were recorded from the Amounts deducted from the VAT for financing the private or accredited confessional education (no such revenues being recorded in 2015), the Sums deducted from the VAT to balance the local budgets amounted to RON 4,547 ths (+128.8%), and the collections from the Sums deducted from the VAT to finance the decentralized expenditures at municipality level of RON 137,152.6 ths (+4.2% over the 2015 level).

+ The **Own revenues** went up by RON 15,280.8 ths over the level attained in 2015 (+8.6%).

+ The revenues collected from the *Tax on property* increased by 4.5%, being in total amount of RON 36,816.7 ths, on the account of higher collections from the population, +9.7%, in total amount of RON 17,889.2 ths, mainly from the taxes on buildings and land. The revenues from the legal entities amounted to RON 18,927.4 ths, similar with the 2015 level.

+ The revenues from the *Quotas deducted from the income tax* were by RON 8,971.4 ths over the level recorded in 2015 (+9.5%).

+ Within the *Other own revenues collected* chapter, the total revenues attained were of RON 29,318.8 ths, thus by 16.6% over the 2015 level. For the analysed period, higher revenues were recorded from Fines, penalties and confiscations, +41.5%, in total amount of RON 7,836 ths, and from the Sums allocated from the quotas deducted from income tax to balance the local budgets, that amounted to RON 1,227.9 ths (the level of such revenues recorded in 2015 was rather low).

+ The revenues from *Other taxes collected* amounted to RON 24,348 ths (+2.4%), mainly on the account of larger collections from Other taxes and duties (by RON 607.1 ths, +29.7%) and from Other taxes and duties on property (by RON 358.5 ths, +25.4%), coupled with lower revenues from the Special taxes (in amount of RON 15,358.9 ths, -2%).

Budgetary provisions

'000 RON

Revised budget at Q4 2016 as compared to the planned budget

Note: The vertical axis reflects the components of the Revenues, which are detailed in the Revenues situation

Within the final budget, approved through LCD no. 358 from 19.12.2016, the total revenues budgetary provisions were in amount of RON 397,596.3 ths, by 11.9% over the initial budget (+RON 42,373.9 ths).

+ The budgetary provisions regarding the **Sums deducted from the VAT** (line 20) were increased by RON 26,308 ths (+21.9%), mainly at the level of Sums deducted from VAT for financing the expenditures of the municipality, and revenues in amount of RON 936 ths were budgeted from the Amounts deducted from the VAT for financing the private or accredited confessional education the budgetary provisions (no such revenues being recorded within the initial budget).

+ The final provisions regarding the **Subsidies from the State budget** (line 22) were increased by RON 1,567.6 ths over the initial budget (+4.8%), exclusively at the level of Capital subsidies. Therefore, subsidies in amount of RON 455.4 ths were budgeted to be received for the Reengineering of thermal and electrical station for heating, for the thermal rehabilitation for housing buildings (in amount of RON 388 ths, and for Financing the actions for reducing seismic risk for existing housing establishments, of RON 251 ths (no such provisions being set up in the initial budget).

+ The final budgetary provisions for the **Own revenues** (line 2) were by RON 13,827.1 ths over the initial budget (+7.8%), larger revenues being budgeted to be collected mainly from:

-> the *Quotas deducted from the income tax* (line 3), by RON 8,132.6 ths (+8.6%), from

-> the *Taxes on property* (lines 9-14), by RON 4,864 ths (+14.9%), mainly from the revenues collected from the population, as well as from

-> *Other own revenues* (line 19), by RON 1,532 ths (+4.6%), especially from Special taxes (by RON 1,400 ths, +9.8%). Moreover, revenues in amount of RON 669.9 ths were budgeted from Subsidies received from the county's budget for the payments of rights related to children with special education needs included in the mass education (no such provisions being set up in the initial budget).

The revenues achievement degree from the revised budget in 2016

The revenues collected during 2016 were by RON 50,087.4 ths under the final budgetary provisions, the collection degree being of 87.4%.

-> The ***operational revenues*** were by RON 3,035.5 ths below the final budgetary provisions (-0.9%).

+ The **own revenues collected**, without considering the capital revenues (line 4), amounted to RON 193,046.5 ths, thus being by 0.6% over the budgeted level, having in view larger revenues from:

+ the *Quotas deducted from the income tax* (line 3), by RON 924.1 ths over the budget (+0.9%),

+ the *Tax on revenues from the transfer of real estate from the private patrimony* (line 8), by RON 400.1 ths over the budget (+17.8%),

+ *Other own revenues* (line 19), by RON 1,161.5 ths (+3.5%), mainly from Fines, penalties and confiscations (by RON 772.2 ths, +14.5%) and from Other taxes and duties on property (by RON 416.2 ths, +30.7%), coupled with

- lower revenues from the *Tax on property* (by RON 620.3 ths, -1.7%), having in view the collections under the budget from the legal entities (the collection degree being of 95.6%, -RON 873.6 ths), while larger amounts were collected from the population, by RON 253.2 ths over the budget (+1.4%).

- the revenues from the **Sums deducted from the VAT** (line 20) were by RON 4,088.1 ths below the final budgetary provisions (-2.8%).

-> The ***Investment revenues*** posted a low level, the realisation degree being of 19.3%, having in view the non-realisation of the budgetary provisions regarding the Capital **subsidies from the state budget** (mainly related to Subsidies from the state budget to local budget for supporting the projects financed from post-accession NEF) and the **Sums received from the EU for the made payments**.

Revenues Ratios

in 2016 as compared to the level attained in 2015

'000 RON

Ratios	2016	2015
Revenues from the tax on property	**36,745.4**	**35,250.7**
Revenues per Capita	186.6 lei	179.8 lei
The revenue weight in the total revenue:	10.6%	9.0%
Own tax revenues	**151,246.9**	**138,547.8**
Revenues per Capita	768.2 lei	706.6 lei
The revenue weight in the total revenues	43.5%	35.3%
Total current revenues (autonomous)	**335,637.7**	**311,456.3**
Revenues per Capita	1,704.8 lei	1,588.4 lei
The revenue weight in the total revenue:	96.6%	79.3%
Operational revenues	**336,238.8**	**311,562.5**
Revenues per Capita	1,707.8 lei	1,588.9 lei
The revenue weight in the total revenue:	96.8%	79.3%
Investment revenues	**11,270.2**	**81,315.9**
Revenues per Capita	57.2 lei	414.7 lei
The revenue weight in the total revenue:	3.2%	20.7%
Total revenues per Capita	**1,765.1 lei**	**2,003.6 lei**
Own revenues per Capita	**984.0 lei**	**910.1 lei**
The level of financing from the own revenues	**55.8%**	**45.4%**
The degree of self-financing	**26.0%**	**21.4%**
The dependency degree of the local budget to the state budget	**43.1%**	**46.6%**
The degree of decisional autonomy	**57.1%**	**45.9%**
The achievement degree of the revenues from the initial budget	**97.8%**	**72.7%**
The achievement degree of the revenues from the final budget	**87.4%**	**68.4%**
The achievement degree of the own revenues from the initial	**108.8%**	**102.2%**
The achievement degree of the own revenues from the final budget	**101.0%**	**96.8%**
The achievement degree of the property taxes from the initial	**112.8%**	**92.3%**
The achievement degree of the property taxes from the final budget	**97.9%**	**90.8%**
The annual estimate from the local tax revenues (maximum probability)	**46,762.3**	**44,207.9**
The annual estimate from the local tax revenues (rectified budget)	**46,825.5**	**47,787.0**
The achievement degree of the annual revenues estimated from the	**100.1%**	**108.1%**
The collection degree from the initial budget of the revenues from:		
Quotas deducted from the income tax	109.6%	100.9%
Tax on buildings from the population	130.0%	105.7%
Tax on land from the population	118.0%	67.4%
Tax on the means of conveyance owned by the population	115.8%	99.5%
Tax on buildings from the legal entities	109.8%	85.0%
Tax on land from the legal entities	103.1%	128.5%
Tax on the means of conveyance owned by the legal entities	89.3%	82.7%
Capita, as of	196,883 1 ianuarie 2016	196,083 1 ianuarie 2015

+ The revenues collected from the **Tax on property** were by 4.2% over the 2015 level. The revenues from the taxes on buildings amounted to RON 23,617.4 ths (+6%, as larger revenues were collected from the population). The collections from the tax on land increased by 21.8% (to RON 4,475 ths, the revenues from the population being by 27.8% higher and +17.1% from the legal entities). The proceeds from the Tax on the means of conveyance went down by RON 566.6 ths (-6.1%), lower revenues being collected both from the population (-4.5%) and from the legal entities (-8%).

+ The **Own tax revenues** increased by RON 12,699.1 ths (+9.2%), higher revenues being attained from:

+ the *Tax on property*,

+ the *Quotas deducted from the income tax*, by RON 8,971.4 ths (+9.5%), coupled with the recording of revenues from the *Sums allocated from the quotas deducted from income tax to balance the local budgets* in amount of RON 1,227.9 ths (in 2015 the level of such revenues being rather low),

+ the *Other taxes and duties on property*, by RON 358.5 ths (+25.4%) and

+ from the *Other taxes and duties*, by RON 607.1 ths (+29.7%).

+ The **Total current revenues** increased by 7.8% over the 2015 level (+RON 24,181.5 ths), due to larger collections from:

+ the <u>*Tax revenues*</u> (+8%, to the level of RON 293,836.9 ths), due to higher:

+ *Own tax revenues* and

+ revenues from the *Sums deducted from VAT*, by RON 8,998.6 ths (+6.7%), and from

+ the <u>*Non-fiscal revenues*</u> (+6.3%, by RON 2,483.8 ths), mainly due to increased collections from Fines, penalties and confiscations (+41.5%, by RON 2,297.7 ths) and of the revenues from services (+19.5%, by RON 630.1 ths), coupled with lower revenues from Special taxes (-2%, RON 309.6 ths) and from concessions and rents (by RON 488.6 ths, -5.7%).

+ The **Operational revenues** increased by RON 24,676.3 ths (+7.9%), mainly on the account of higher Current revenues recorded.

- The **Investment revenues** achieved were at a low level as compared to the one attained in 2015 (-86.1%), as a result of lower revenues from the Capital Subsidies from the State budget as well as from the Sums received from the EU for the made payments.

Budgetary provisions for 2017

'000 RON

The budgetary provisions for 2017 as compared to the level of the revenues attained in 2016

The revenues estimated for 2017 within the revenues and expenditures budget are in amount of RON 387,928.2 ths, being by 11.6% over the level attained in 2016, with higher revenues being especially budgeted at the level of Investment revenues (by RON 26,089.1 ths, +231.5%).

+ The revenues from the **Subsidies from the State Budget** were budgeted at the level of RON 23,258.8 ths, being mainly related to capital subsidies, namely subsidies from the state budget to local budget for supporting the projects financed from post-accession FEN, having in view the continuation of the project financed from 2007-2013 SOP Environment Priority Axis 3, within the Fuel and power chapter.

+ The budgetary provisions for 2017 regarding the **Sums received from the EU for the made payments** were set up at RON 14,111.8 ths, being entirely related to the project financed from the Cohesion Fund within the Fuel and power chapter, namely Amounts received for the payments made during the current year.

+ The revenues from the **Sums deducted from the VAT** were budgeted at a level of RON 149,160 ths, by 4.6% over the level recorded in 2016, higher collections being especially set up for the Sums deducted from VAT for financing the expenditures of towns. In addition, revenues in amount of RON 1,242 ths were provisioned from Amounts deducted from the VAT for financing the private or accredited confessional education, +39.5% over the level recorded in 2016.

+ The budgetary provisions regarding the **Own revenues**, in amount of RON 201,397.7 ths, are by 4% over the 2016 attained level.

+ The revenues from the *Quotas deducted from the income tax* (the main revenue line with the Own revenues chapter) were set up at a level of RON 119,000 ths (+15.2% over the level collected in 2016, namely by 26.3% over the 2016 initial provisions).

+ The provisions regarding the *Sums allocated from the quotas deducted from income tax to balance the local budgets* were set up at RON 941 ths (-23.4% lower than the level recorded in 2016).

+ The revenues from the *Taxes on property* were estimated at RON 38,977.5 ths, +5.9% over the 2016 attained level. Thus, the provisions regarding the collections from the population are of RON 20,955.5 ths (+17.1%, with higher proceeds being estimated from the Tax on buildings and on land), while the initial provisions on the revenues to be collected from the legal entities amount to RON 18,022 ths (-4.8%, with lower collections being set up from the taxes on buildings and land, coupled with higher estimates from the tax on the means of conveyance).

- The revenues from *Fines, penalties and confiscations* were estimated at RON 5,550 ths (-29.2%), and the provisions regarding the proceeds from *Special taxes* amount to RON 13,371 ths, by 12.9% under the level attained in 2016.

Table of contents Part III

Part III: Budgetary expenditures (functional classification)

- The situation of the expenditures performed in the period of 2013 - 2016
- The dynamics of the expenditures performed in the period of 2013 - 2016
- The dynamics of the expenditures performed in 2016, as compared to the level attained in 2015
- Budgetary provisions: the achievement degree of the expenditures performed in 2016

The situation of expenditures incurred for the period 2013 - 2016

'000 RON

Line	Expenditures summary	Evolution for the period*	The budgetary execution for 2013	% /TP	2014	% /TP	y/y	2015	% /TP	y/y	2016	% /TP	y/y	Planned 2016	% /TP	Revised 2016	% /TP	Planned 2017	% /TP
	Functional classification	-5.2	**408,050.5**		**376,994.8**		-7.6	**392,878.3**		4.2	**347,508.9**		-11.5	**355,222.4**		**397,596.3**		**387,928.2**	
1	Public authorities and external actions	-2.3	19,048.3	4.9	21,398.6	5.8	12.3	16,291.6	4.1	-23.9	17,747.9	5.6	8.9	21,698.3	5.7	21,587.4	5.1	39,346.1	8.9
2	Transactions regarding the public debt (interest and fees)	-32.6	15,379.0	3.9	9,675.3	2.6	-37.1	5,030.0	1.3	-48.0	4,703.3	1.5	-6.5	5,650.0	1.5	5,650.0	1.3	4,700.0	1.1
3	Education	6.4	106,597.8	27.3	121,053.1	32.7	13.6	126,898.8	32.3	4.8	128,375.8	40.2	1.2	110,286.6	28.9	131,990.2	31.1	136,566.7	30.8
4	Health	-29.8	21,279.2	5.5	5,243.9	1.4	-75.4	3,786.2	1.0	-27.8	7,365.4	2.3	94.5	17,479.4	4.6	18,478.0	4.4	17,267.8	3.9
5	Culture, recreation and religion	-11.7	30,493.7	7.8	29,286.0	7.9	-4.0	35,135.6	8.9	20.0	21,013.7	6.6	-40.2	35,307.8	9.2	30,175.8	7.1	31,680.5	7.1
6	Insurance and social assistance	10.3	29,225.8	7.5	28,367.6	7.7	-2.9	30,491.7	7.8	7.5	39,259.7	12.3	28.8	35,964.0	9.4	47,022.8	11.1	57,649.8	13.0
7	Housing, public service and development	-5.1	11,221.4	2.9	9,340.4	2.5	-16.8	9,314.3	2.4	-0.3	9,581.7	3.0	2.9	12,839.7	3.4	15,342.7	3.6	14,221.5	3.2
8	Environment protection	2.7	23,567.0	6.0	20,780.8	5.6	-11.8	20,509.0	5.2	-1.3	25,493.4	8.0	24.3	27,735.7	7.3	33,950.0	8.0	35,788.7	8.1
9	Fuel and power	-12.8	64,472.6	16.5	65,537.3	17.7	1.7	102,571.4	26.1	56.5	42,819.5	13.4	-58.3	72,933.2	19.1	81,971.6	19.3	67,526.5	15.2
10	Transport	-43.3	58,954.3	15.1	48,813.0	13.2	-17.2	30,007.3	7.6	-38.5	10,725.1	3.4	-64.3	27,583.9	7.2	23,334.9	5.5	20,265.8	4.6
11	Other expenditures	5.5	10,113.4	2.6	10,227.0	2.8	1.1	12,818.6	3.3	25.3	11,877.2	3.7	-7.3	14,545.4	3.8	14,894.6	3.5	18,262.8	4.1
12	Reserves, Surplus / Deficit	-	17,698.0	0.0	7,271.9	0.0	n/a	23.8	0.0	-99.7	28,546.3	0.0	n/a	- 26,801.7	0.0	- 26,801.7	0.0	- 55,348.0	0.0
	Economic classification	-5.2	**408,050.5**		**376,994.8**		-7.6	**392,878.3**		4.2	**347,508.9**		-11.5	**355,222.4**		**397,596.3**		**387,928.2**	
1	Staff costs, of which:	7.6	109,929.2	28.2	124,746.7	33.7	13.5	131,045.5	33.4	5.0	136,817.2	42.9	4.4	121,420.0	31.8	142,876.4	33.7	153,052.0	34.5
	without those for: Education, Insurance and social assistance	0.6	15,645.6	4.0	13,140.6	3.6	-16.0	13,809.0	3.5	5.1	15,906.8	5.0	15.2	18,509.0	4.8	17,959.0	4.2	20,769.0	4.7
2	Social assistance	15.8	12,000.6	3.1	10,245.3	2.8	-14.6	12,395.4	3.2	21.0	18,618.2	5.8	50.2	12,315.5	3.2	20,640.9	4.9	24,894.2	5.6
3	Subsidies	-0.8	6,147.0	1.6	10,700.0	2.9	74.1	11,927.6	3.0	11.5	6,000.0	1.9	-49.7	6,000.0	1.6	6,000.0	1.4	12,400.0	2.8
4	Goods and services	-7.4	93,786.4	24.0	79,120.8	21.4	-15.6	81,606.9	20.8	3.1	74,392.2	23.3	-8.8	77,066.3	20.2	91,346.7	21.5	85,834.0	19.4
5	Capital expenditures	-41.6	40,947.9	10.5	21,499.7	5.8	-47.5	14,527.5	3.7	-32.4	8,150.2	2.6	-43.9	38,915.9	10.2	35,983.2	8.5	56,047.1	12.6
6	Interest	-32.6	15,252.0	3.9	9,304.4	2.5	-39.0	4,790.7	1.2	-48.5	4,672.1	1.5	-2.5	5,400.0	1.4	5,400.0	1.3	4,500.0	1.0
7	Loan reimbursements	41.7	10,208.8	2.6	15,989.8	4.3	56.6	9,257.0	2.4	-42.1	29,055.2	9.1	213.9	28,521.8	7.5	30,593.8	7.2	23,904.4	5.4
8	Current transfers	24.6	10,058.9	2.6	13,254.3	3.6	31.8	18,851.8	4.8	42.2	19,456.5	6.1	3.2	21,012.4	5.5	21,960.1	5.2	25,724.9	5.8
9	Internal transfers	21.2	1,674.5	0.4	1,730.3	0.5	3.3	2,364.2	0.6	36.6	2,984.6	0.9	26.2	5,723.6	1.5	8,456.2	2.0	7,397.9	1.7
10	Projects financed from non-reimbursable external funds	-49.4	79,697.0	20.4	68,676.4	18.6	-13.8	95,727.3	24.4	39.4	10,300.5	3.2	-89.2	50,439.7	13.2	50,929.6	12.0	37,359.2	8.4
11	Other expenditures	-7.2	10,650.0	2.7	14,455.2	3.9	35.7	10,360.6	2.6	-28.3	8,516.0	2.7	-17.8	15,209.0	4.0	10,211.2	2.4	12,162.4	2.7
12	Reserves, Surplus / Deficit	-	17,698.0	0.0	7,271.9	0.0	n/a	23.8	0.0	-99.7	28,546.3	0.0	n/a	- 26,801.7	0.0	- 26,801.7	0.0	- 55,348.0	0.0
	Total payments made (TP) (total expenditures made without considering the	-6.5	**390,352.5**		**369,723.0**		**-5.3**	**392,854.6**		**6.3**	**318,962.7**		**-18.8**	**382,024.1**		**424,398.0**		**443,276.2**	
	Operational expenditures	3.0	243,868.1	62.5	253,682.9	68.6	4.0	268,148.7	68.3	5.7	266,332.7	83.5	-0.7	257,887.7	67.5	300,180.2	70.7	320,657.5	72.3
	Investment expenditures	-46.2	120,896.5	31.0	90,375.0	24.4	-25.2	110,418.8	28.1	22.2	18,871.5	5.9	-82.9	89,964.6	23.5	87,973.9	20.7	94,014.3	21.2
	Financial expenditures	9.7	25,587.8	6.6	25,665.1	6.9	0.3	14,287.1	3.6	-44.3	33,758.5	10.6	136.3	34,171.8	8.9	36,243.8	8.5	28,604.4	6.5
	Total of the Operating Section	2.9	**274,741.7**	**70.4**	**281,902.3**	**76.2**	**2.6**	**282,466.6**	**71.9**	0.2	**298,966.7**	**93.7**	5.8	**287,485.9**	**75.3**	**330,199.5**	**77.8**	**344,928.2**	**77.8**
	Reserves, surplus/deficit for the operating section		1,142.0		4,311.2			7,839.0			28,197.3			-		-		-	
	Total of the Development Section	-44.3	**115,610.8**	**29.6**	**87,820.6**	**23.8**	**-24.0**	**110,388.0**	**28.1**	25.7	**19,995.9**	**6.3**	-81.9	**94,538.1**	**24.7**	**94,198.4**	**22.2**	**98,348.0**	**22.2**
	Reserves, surplus/deficit for the development section		16,556.0		2,960.6			- 7,815.2			349.0			- 26,801.7		- 26,801.7		- 55,348.0	
	Reserves		*1,808.0*		*19,506.1*			*26,777.9*			*26,801.7*							*55,348.0*	
	Current year Surplus/ Deficit		*17,698.0*		*7,271.9*			*23.8*			*28,546.3*							*- 55,348.0*	
	Cummulated surplus		*19,506.1*		*26,777.9*			*26,801.7*			*55,348.0*							-	

**) Evolution for the period - represents the Expenditures' Compound annual growth rate for the analysed period 2013-20*

The dynamics of the expenditures incurred for the period 2013 - 2016

Functional classification

'000 RON

For the analysed period, the total payments made posted an oscillating trend, in 2014, the total made payments were by RON 20,629.6 ths under the 2013 level (-5.3%), in 2015, their level increased by RON 23,131.6 ths (+6.3%), while in 2016, they dropped by RON 73,891.9 ths under the level attained for the previous year (-18.8%).

• The expenditures on **Education**, the main chapter within the local budget, posted an increasing evolution for the entire period, with lower paces in 2015 (+4.8) and 2016 (+1.2%), versus +13.6% in 2014. Within the chapter, the expenditures on the Upper secondary education held the largest share, and posted a significant increase in 2014 (+64.6%, to the level of RON 56,184.7 ths), in 2015 they went up by 1.6% and in 2016 their level dropped by 2.2%. The expenses on the Lower secondary education posted a significant drop in 2014 (-38.9%, to the level of RON 24,666.8 ths), in 2015 they increased by 6%, and in 2016 dropped by 1.2%. The expenditures on the Pre-school and elementary education recorded an increasing evolution, with an important growth in 2014 (+17.6%).

From the economic perspective, the Staff costs (that held the largest share within the chapter) increased through the entire period, +19.5% in 2014 and +4.3% in 2015, to the level of RON 108,125.7 ths. The expenditures on Goods and services recorded an oscillating evolution, in 2014 they dropped by 12.5%, to the level of RON 14,817.4 ths, in 2015, the total expenses incurred amounted to RON 16,102.8 ths (+8.7%), while the expenses made in 2016 were by 3.1% under the 2015 level, as lower payments were made for Heating, lighting and driving force and for Current repairs. The payments made for Scholarships recorded a significant increase in 2016, by 47% to the level of RON 2,490.4 ths. In addition, in 2016, for the first time, within the chapter there were recorded expenses on Social support, in amount of RON 672.6 ths.

• The payments made within the **Fuel and power** chapter recorded a substantial increase in 2015 (+56.5%, by RON 37,034.1 ths), followed by a significant curtailment in 2016 (-58.3%). The evolution was mainly triggered by the level of the investment expenditures incurred for the period, related to the project SOP Environment Priority Axis 3, the Refurbishment of the heating system of Bacau Municipality, in order to comply with the environmental standards on air emissions and

increase of the efficiency in urban heat supply (co-financed from the Cohesion Fund and the local budget), the works being started in 2012. These expenditures recorded significant levels for the period 2013-2015, with a significant increase in 2015 (+75.1%, to the level of RON 74,188.8 ths), and in 2016 they posted a significant drop, by 93%, mainly regarding the sums allocated for the Projects financed from non-reimbursable external funds. In addition, in 2014 and 2015 there were recorded payments for the Participation in the social capital of the commercial companies, namely Thermoenergy Group SA Bacau (in amount of RON 1,150 ths in 2014 and of RON 7,850 ths in 2015).

For the analysed period, the payments made for Heating, lighting and driving force, within the Goods and services chapter, represented payments made towards C-GAZ & ENERGY Distributie related to the take-over of debts from C.E.T. Bacau, in amount of RON 12,287.9 ths in 2014, of RON 17,192.8 ths in 2015 and RON 4,628.1 ths in 2016. Also, in Q4/2016 payments in amount of RON 9,200 ths were made towards Thermoenergy Group SA representing losses induced by the provision of public services regarding the production, transmission, distribution and supply of heating energy. The payments made for Subsidies for covering the differences on prices and tariffs posted an increasing evolution, being in amount of RON 6,147 ths in 2013, of RON 10,700 ths in 2014 and RON 11,927.6 ths in 2015. In addition, for the payment of the current expenditures for securing the heating energy supply in the cold season 2015/2016, based on the GEO 46/2015, in Q4/2015 a short term loan was contracted from the Ministry of Finance, in amount of RON 16,000 ths. The estimated expenditures for Q4/2015 were of RON 7,500 ths and for Q1/2016 of RON 8,500 ths, payments made from the credit facility.

• The expenditures incurred within the **Transport** chapter, especially related to Streets, posted a declining evolution for the entire analysed period. In 2013 there were started investment projects regarding the urban infrastructure rehabilitation, with the overall objective of streamlining the urban traffic and transit, projects with financing from the European Regional Development Fund. Thus, the investment expenditures, especially allocations for the Projects financed from non-reimbursable external funds, posted significant levels in 2013 (of RON 26,241.8 ths) and in 2014 (of RON 31,487.2 ths), with reducing amounts in 2015 (of RON 16,002.4 ths) and in 2016 (of RON 4,448.2 ths), following the completion of works. For the period, the main ongoing projects were “Rehabilitation of urban infrastructure Stefan cel Mare street”, “Rehabilitation of Letea passage“, “Rehabilitation of the urban infrastructure in Mioritei-9 May-Vadu Bistrita area”, and “Rehabilitation of IL Caragiale-Milcov-Letea street area”. The Current repairs expenses posted an important level in 2013 (RON 27,346.3 ths) followed by a downward trend to a level of RON 4,462.9 ths in 2016.

• The expenses made on **Culture, recreation and religion** posted a significant level in 2015, being by RON 5,849.6 ths over the 2014 level (+20%), highly due to the commencement of the works related to the rehabilitation and modernization of the “Leisure Island” (Insula de agrement) a project financed from internal loans and non-reimbursable European funds. Thus, the expenses incurred in 2015 on the Maintenance of public gardens, parks, green areas, sports and leisure centres posted the highest level of the period, of RON 18,470.8 ths (+107.1%), while in 2016, as a result of lower investments, they dropped to RON 9,933.5 ths (-46.2%). The expenses on Sports posted high levels in 2013 (of RON 15,014 ths) and in 2014 (of RON 15,193.1 ths), while in 2015 their levels dropped by 37.9% and in 2016 by another 27% (to the level of RON 6,886.9 ths). The payments made for Religious services dropped from the level of RON 3,206 ths in 2013 to RON 6.4 ths in 2016.

From the economic perspective, the investment expenditures recorded high levels in 2013 (of RON 11,031.8 ths, due to ongoing works related to the Multifunctional Sports Hall investment project) and in 2015 (of RON 12,456.7 ths). In addition, payments were made for the Participation in the social capital of the commercial companies amounting to RON 3,400 ths in 2013 and to RON 1,400 ths in 2014. The allocations for Associations and foundations recorded high levels in 2013 (of RON 11,210.7 ths) and 2014 (of RON 12,883.4 ths), with a downward trend in 2015 (-41.3%) and 2016 (-35.3% to a level of RON 4,893.2 ths), being mainly allocations made for sustaining of sports association, especially the local masculine handball team “Stiinta Bacau”. There is also to be mentioned the recovery, in 2013, of some investment expenditures performed in 2012 related to the works at the Multifunctional Sports Hall (Sala Polivalenta), by the execution of the performance guarantee submitted by the constructor, thus being recorded expenditures made in the previous years and recovered in the current year in amount of RON -5,795.5 ths.

• The payments made within the **Insurance and social assistance** chapter recorded an upward trend, +7.5% in 2015 (by RON 2,124.1 ths) and +28.8% in 2016 (by RON 8,767.9 ths). Within the chapter, a significant share of the expenditures made pertains with the Social assistance for the disabled line, that recorded an increasing level through the period (+9.1% in 2014, +25.5% in 2015 and +39.4% in 2016, to the level of RON 17,327.1 ths) and with the Other expenditures in the social assistance field line (that also recorded an upward evolution for the analysed period, namely +15.6% in 2014, +9% in 2015 and +4.5% to the level of RON 10,696.7 ths). Higher expenses were also recorded for Nurseries, +18.5% in 2015 and +39.5% in 2016 (in total amount of RON 2,852.7 ths). The expenditures made on Assistance for the elderly line recorded the highest level in 2014 (of RON 4,208.3 ths), in 2015 they dropped by 38.3%, while the 2016 level was rather similar with the 2015 level (of RON 2,568.6 ths).

From the economic perspective, a significant share of the expenses made was held by the payments incurred for Social support in cash. For the period 2014-2016 they posted an increasing evolution, +21% in 2015 and +44.8% in 2016 (when Gift tickets for social expenditures were granted). The Staff costs also posted an upward trend for the period, +4.9% in 2014, +15.2% in 2015 and +41.6% in 2016 (in total amount of RON 12,903.2 ths). The contributions of the local public administrations to the achievement of some public local services, based on partnership and association agreements (within the Goods and services chapter) maintained at a rather constant level (in 2016 they amounted to RON 5,003.4 ths).

• Within the **Environment protection** chapter, the main expenditures' share pertains to the Sanitation and waste management line, recording an important increase in 2016 (+18.9%), to the level of RON 22,737.8 ths. In 2015, the expenses on Canalization and treatment of wastewater dropped by 32.5% (to the level of RON 1,390.6 ths, while in 2016 they went up by 98.2%. From the economic perspective, the expenses on Goods and services dropped in 2014 by 31.4% below the 2013 level (being in amount of RON 11,428.8 ths), then an increasing trend was recorded, +7.6% in 2015 and +36.3% in 2016 (to the level of RON 16,762.2 ths), the evolution being mainly reflected at the level of expenditures on Other materials and services for maintenance and functioning.

• The level of the expenses incurred on **Housing, public services and development** dropped, in 2014, by 16.8% below the 2013 level (by RON 1,881.1 ths), the payments made in 2015 and 2016 maintaining at a rather similar level as in 2014. The expenses made in 2014 on Public lighting and rural electrification were by 22.1% under the 2013 level, for the following years remaining at a similar level (in 2016 they were at the level of RON 4,197.8 ths). In 2014, higher payments were made for Houses, by RON 962.2 ths (+62.4%), for the following years their level dropped by 14.5% in 2015 and by 53.2% in 2016 (to the amount of RON 1,002.1 ths).

From the economic standpoint, the payments for Heating, lighting and driving force (within the Goods and services chapter) held the largest share within the chapter. They recorded a slightly decreasing trend, -3.2% in 2014, -2.8% in 2015 and -1.4% in 2016 (to a level of RON 4,128.9 ths). The expenditures on Current repairs posted the highest value in 2013 (of RON 1,902.9 ths), for the remaining period recording a downward evolution to a total amount of RON 397.7 ths in 2016. The Investment expenditures' level maintained at a rather constant level (namely, RON 2,600.6 ths in 2013 and RON 2,415.4 ths in 2016). For the period 2013-2015 there were recorded expenses related to the investment projects financed from EU funds, mainly in connection with the rehabilitation and modernization of the building from Henri Coanda Street, 9, destined for social housing projects under the Regional Operational Program 2007 -2013, and the beginning of the rehabilitation program of housing buildings (program financed from own funds and European funds).

• The expenses made within the **Health** chapter recorded a downward trend for the 2013-2015 period. In 2013, payments in amount of RON 16,585.8 ths were made for the investment works at the Municipal Hospital, in 2014, the value of such payments reduced significantly, by 86.6%, a low level being recorded in 2015 and 2016. Also, beginning with 2014, no Staff costs were recorded (the value of such expenditures in 2013 was of RON 2,709.3 ths), these expenses being recorded as Current transfers (Health actions); they recorded an increasing level, from RON 3,230.1 ths in 2014 to RON 4,162.4 ths in 2016.

The evolution of expenditures incurred for the period 2015 - 2016

Functional classification

'000 RON

The structure of payments made in 2016

The structure of payments made in 2015

The total payments made from the local budget in 2016 were by RON 73,891.8 ths below the level recorded in 2015 (-18.8%).

Lower expenditures were mainly incurred within the following chapters:

- **Fuel and power**, by RON 59,751.9 ths (-58.3%). The Other expenditures for fuel and power amounted to RON 36,819.5 ths, thus being by 59.4% under the 2015 level. From the economic perspective this reflected mainly in lower Investment expenditures incurred (in total amount of RON 5,157.1 ths), by 93% below the 2015 level, lower payments being especially made for co-financing the projects developed from external non-reimbursable funds. In 2016, credit disbursements of RON 5,532.1 ths were made for investment expenditures payments, while in 2015 these payments amounted to RON 18,604.3 ths. The main ongoing investment project within the chapter is related to the continuation of works for the rehabilitation of CET Bacau and the secondary thermic system, the project being co-financed from the Cohesion fund of the European Union and subsidies from the State budget. The payments made for Heating, lighting and driving force, within the Goods and services chapter, in amount of RON 4,628.1 ths represent payments made towards C-GAZ & ENERGY Distributie related to the take-over of debts from C.E.T. Bacau (entirely incurred in Q1/2016). In addition, in Q4/2016 payments in amount of RON 9,200 ths were made towards Thermoenergy Group SA representing losses induced by the provision of public services regarding the production, transmission, distribution and supply of heating energy.

The expenses made on Heating energy amounted to RON 6,000 ths (representing Subsidies for covering the differences on prices and tariffs), while the value of such payments in 2015 was of RON 11,927.6 ths. In Q1/2016, no payments of Subsidies for covering the differences on prices and tariffs were incurred, as in Q4/2015, based on the GEO 46/2015, it a short term loan was contracted from the Ministry of Finance, in amount of RON 16,000 ths for payments of current expenditures for securing the heat supply in the cold season. The estimated value of expenditures for Q4/2015 was of RON 7,500 ths and for Q1/2016 of RON 8,500 ths, payments made from the new credit facility. Also, the payments made for Loan reimbursements were mainly related to repayment of this credit facility.

The evolution of expenditures incurred for the period 2015 - 2016

Functional classification

'000 RON

Functional expenditures variation

- **Transport**, by RON 19,282.2 ths (-64.3%), mainly at the level of the expenditures on Streets line. Thus, the investment expenditures, amounting to RON 4,448.2 ths, were by 72.2% below the 2015 level, being especially non-eligible expenses related to the Projects financed from external non-reimbursable funds. In addition, payments in amount of RON 3.000 ths were made from the ongoing credit facility, also for financing these non-eligible expenses. For 2016, the main investment projects relate to the continuation of works regarding the urban infrastructure rehabilitation and building roads, namely the completion of projects financed through ROP 2007-2013 "Rehabilitation of urban infrastructure area ILCaragiale-Milcov-intersection Letea Street ", "Rehabilitation urban infrastructure Stefan cel Mare street". The expenses on Current repairs, within the Goods and services chapter, were in amount of RON 4,462.9 ths, by 46.4% below 2015 level.

- **Culture, recreation and religion**, by RON 14,122 ths, -40.2%. Lower allocations were made at all lines level, namely the expenses on Maintenance of public gardens, parks, green areas, sports and leisure centres, amounting to RON 9,933.5 ths, dropped by 46.2%, the payments for Sports were of RON 6,886.9 ths, by 27% lower, the expenditures on Public institutions for shows and concerts reduced by 25% (to the level of RON 3,754.5 ths), while the payments for Religious services posted a low level, of RON 6,4 ths (while in 2015 they amounted to RON 1,981.9 ths).

From the economic perspective, lower expenditures were made for investments (in total amount of RON 2,906.9 ths, -76.7%). The amounts allocated for the Projects financed from external non-reimbursable funds were of RON 1,695.9 ths (-85.2%), entirely related to non-eligible expenditures. In addition, for financing these projects, payments from the ongoing credit facilities were made, amounting to RON 9,198 ths. Lower transfers were also recorded for associations and foundations (-35.3%, in amount of RON 4,893.2 ths) and for public institutions, by 9.7%, to the level of RON 6,180.6 ths.

Higher expenditures, versus the 2015 level, were mainly recorded within the following chapters:

+ **Insurance and social assistance**, by RON 8,767.9 ths (+28.8%). Increased expenditures were mainly recorded for the lines: Social assistance for the disabled, +39.4% (in total amount of RON 17,327.1 ths), for Prevention of social exclusion, +82.5%, in amount of RON 5,814.5 ths (as Social support), and for Nurseries, +39.5%, to the level of RON 2,852.7 ths. From the economic standpoint, the payments for Social support increased by 44.8% (to the level of RON 17,945.7 ths, following the granting of gift vouchers for social spending, in amount of RON 5,596.1 ths, as a facility granted for pensioners in Bacau with gross income accumulated from pensions up to RON 1,050 including the purchase of staple foods, no such benefits being recorded in 2015) and the Staff costs went up by 41.6%, being in total amount of RON 12,903.2 ths. The Contribution of local public administrations to the achievement of some public local services, based on partnership and association agreements remained amounted to RON 5,003.4 ths, a rather similar level as the 2015 level.

+ **Environment protection**, by RON 4,984.5 ths (+24.3%). The expenses on Sanitation and waste management went up by 18.9%, to the level of RON 22,737.8 ths, and the payments for Canalization and treatment of wastewater were by 98.2% over the 2015 level (+RON 1,365 ths). From the economic perspective, increased payments were especially made within the Goods and services chapter, namely the expenses on Water, sewerage and sanitation amounted to RON 2,334.5 ths (in 2015 their level was rather low) and the expenditures on Other materials and services for maintenance and functioning went up by 17.5% (to the level of RON 12,857.2 ths). The capital expenditures were by RON 687.3 ths over the 2015 level (+66.1%), as payments of RON 656.2 ths were made for Machines, equipment and means of conveyance. The Staff costs increased by RON 431.2 ths (+14%), while the value of Internal transfers for Investments of the economic agents with state capital was of RON 166.8 ths (by 82.9% below the 2015 level).

+ **Health**, by RON 3,579.1 ths (+94.5%), the expenses made being exclusively for General Hospitals. The payments made for Reimbursements of credits regarding the local internal public debts amounted to RON 2,498.1 ths (these repayments were related to a credit facility contracted from the Ministry of Public Finance in Q2/2013, the capital payments for 2015 were paid in advance in December 2014 (through the effect of the GED 74/2014 concerning the amendment of the State budget and other budgetary measures). The value of the Current transfers (Health actions) was of RON 4,162.4 ths, by 14.7% above the 2015 level, and also, in 2016, there were recorded Capital transfers, namely Transfers for financing the investments on hospitals, in amount of RON 404.9ths (no such expenses being recorded in 2015).

+ **Education**, the main expenditure chapter within the budget, by RON 1,477 ths (+1.2%). The payments made for the Pre-school and elementary education amounted to RON 40,617.8 ths (+5.7%), higher expenses being made especially for the Elementary education. The allocations for the Secondary education amounted to RON 86,767.6 ths, by 0.8% below the 2015 level, with lower payments being made for the Lower secondary education, by RON 325.5 ths (-1.2%) and for the Upper secondary education, by RON 1,255.3 ths (-2.2%), while higher payments were made for the Vocational education, +19.5% (to a level of RON 5,146.8 ths).

From the economic perspective, the payments made for Goods and services amounted to RON 15,602.5 ths (by 3.1% below the 2015 level), lower expenses being recorded especially for Heating, lighting and driving force (-10.7%, to the level of RON 9,563.4 ths), coupled with larger payments being made especially for Current repairs (+9.6%, in total amount of RON 1,314.8 ths), while the expenses on Contributions of the local public administrations to the achievement of some public local services, based on partnership and association agreements amounted to RON 456 ths (no such payments being recorded in 2015).The expenses on Scholarships were of RON 2,490.4 ths, by 47% over the 2015 level. The expenses on Science and social-cultural actions were of RON 218.4 ths, the payments for Social assistance, namely Social support in cash, amounted to RON 672.6 ths, and the amount of RON 890.6 ths was allocated for the Financing of private or confessional accredited education (no such expenses being incurred in 2015).

Budgetary provisions

Functional classification

'000 RON

Revised budget at Q4 2016 as compared to the planned budget

Following the budgetary revision, the total expenditures were increased by 11.1% over the initial provisions. Higher expenditures were budgeted mainly within the following chapters

+ **Education**, +19.7%. Increased allocations were recorded at all education levels, and especially for the Pre-school education, +39.1% (by RON 6,221.4 ths), for the Elementary education, +43.4% (by RON 6,522.5 ths) and for the Lower secondary education, +21.8% (by RON 5,027 ths). From the economic perspective, higher allocations were especially made for the Staff costs (+ 23.3%, by RON 20,831 ths). In addition, for the Financing of private or confessional accredited education provisions in amount of RON 936 ths were set up within the Internal transfers chapter, expenditures for Social support were budgeted at the level of RON 704.9 ths, and for Science and social-cultural actions in amount of RON 222.9 ths (not included within the initial budget).

+ **Insurance and social assistance**, +30.7%. Higher allocations were recorded for all lines, and especially for Social assistance for the disabled (+43.9%, by RON 5,842.6 ths) and for the Prevention of social exclusion, by RON 2,681.3 ths (+78.6%), as Social support. Thus, increased expenses were recorded for Social assistance, by RON 7,620.5 ths (+61.9%), mainly through the allocation of RON 5,750 ths for Gift tickets for social expenditures (no such expenses being recorded within the initial budget). The final provisions regarding the Goods and services expenditures were by RON 1,518 ths over the initial budget (+20.6%, as higher allocations were made for the Contribution of local public administrations to the achievement of some public local services based on partnership and association agreements and for Food), the provisions regarding the Staff costs increased by RON 1,175.4 ths (+8.7%), and the Investment expenditures were set up at RON 2,988.5 ths (+57.8%, especially related to Non-eligible expenses related to investment projects developed with EU funds).

+ **Fuel and power**, +12.4%, entirely at the Other expenditures for fuel and power line level. Supplementary allocations were made especially within the Goods and services chapter, payments in amount of RON 9,208 ths were set up for Other expenses with materials and services (not provisioned within the initial budget).

+ **Environment protection**, +22.4%. The initial provisions for the Canalization and treatment of wastewater were increased by RON 3,427.1 ths (+99.6%), for the Collection, treatment and destruction of waste by RON 2,368.5 ths (+15.5%) and for Sanitation by RON 418.7 ths (+4.6%). Thus, higher allocations were made for Goods and services (by RON 3,697.5 ths, +23.3%, especially for Water, sewerage and sanitation and for Other materials and services for maintenance and functioning) and for Internal transfers, for Investments of the economic agents with state capital (by RON 2,000.9 ths, +131.9%).

Lower provisions were recorded mainly within the following chapters:

- **Culture, recreation and religion**, -14.5%. Thus, the provisions for Religious services were reduced by RON 1,900 ths (-95%), the allocations for Other services in the field of culture, recreation and religion were by RON 1,200 ths below the initial budget (-60%) and the final budgeted expenses for Sports were by RON 2,000 ths lower (-19.8%). From the economic perspective, the budgetary amendment reflected mainly upon the expenses for Cults' support (that were reduced by RON 3,900 ths, -97.5%) and for Associations and foundations (that were by RON 1,200 ths below the initial provisions, -17.1%).

- **Transport**, -15.4%, entirely regarding at the level of expenses on Streets. From the economic standpoint, lower allocations were made especially for Current repairs (within the Goods and services chapter).

Expenditures execution degree from the revised budget at Q4 2016

The total expenditures incurred in 2016 were by RON 105,435.3 ths below the final budget, the execution degree was of 75.2% of the final budgetary provisions.

- The expenses made within the **Fuel and power** chapter accounted for 52.2% of the final provisions. The payments made for Heating energy (namely for Subsidies for covering the differences on prices and tariffs) amounted to RON 6,000 ths (at the budgeted level), while the value of the Other expenditures for fuel and power was of RON 36,819.5 ths (by 51.5% below the budget). Thus, a low level of Investment expenditures was incurred as well as of Internal transfers for Investments of the economic agents with state capital.

- The expenditures incurred within the **Transport** chapter recorded an execution degree of 46% of the final budget (being by RON 12,609.8 ths below the budgetary provisions). The non-realization of the budgetary provisions was mainly reflected at the level of expenses for Streets. Thus, from the economic perspective, the Investment expenditures (in amount of RON 4,448.2 ths) posted a low execution level of 41.9% and the execution degree of the expenses on Current repairs was of 46.4% (being in a total value of RON 4,462.9 ths).

- The execution degree of expenses made within the **Health** chapter was of 39.9%, the payments made being by RON 11,112.7 ths below the final budget, mainly having in view the low level of the capital expenditures incurred, related to the continuation of the construction and modernization works at Bacau Municipal hospital (within the investment projects list, the budgeted expenses for constructions being of RON 10,585.2 ths and some RON 2,934 ths to be financed from the ongoing credit facilities). In addition, the value of the Capital transfers, namely Transfers for financing the investments on hospitals, was of RON 404.9 ths (accounting for 43.8% of the budgeted level), and the level of the Current transfers (for Health actions) was of RON 4,162.4 ths (by 3.2% below the budget).

- The expenses made for **Culture, recreation and religion** were by RON 9,162.1 ths below the final budgetary provisions (the execution degree was of 69.6%). Lower payments, as compared to the budgetary allocations, were made especially within the chapters: Maintenance of public gardens, parks, green areas, sports and leisure centres (the expenses made amounted to RON 9,933.5 ths, accounting for 59.8% of the budget), Sport (the incurred expenditures were of RON 6,886.9 ths, by 14.7% below the budget), and the payments made for Other services in the field of culture, recreation and religion represented 54% of the budgetary provisions). The expenses made for Associations and foundations were of RON 4,893.2 ths (posting an execution degree of 84.4%). The level of the Transfers to public institutions was by RON 1,481.4 ths under the budget (-19.3%).

For 2016, there was set up the continuation of works for the rehabilitation and modernization of the “Leisure Island” (Insula de agrement), with financing from the Local budget and internal loan sources, works related to establishing new green areas in the city and renovation of existing ones, the continuation of construction works related to the Multifunctional Sports Hall, and also works related to the Municipal Stadium.

- The execution degree of the expenses made within the **Environment protection** chapter was of 75.1%, the payments made being by RON 8,456.6 ths below the budget. The expenses made on Sanitation in amount of RON 6,791.3 ths, were by 28.1% under the budget, and the payments for Canalization and treatment of wastewater were of RON 2,755.6 ths, namely accounting for 40.1% of the budgeted level. The execution degree of the Investment expenses was of 43.6%, the value of the Internal transfers for Investments of the economic agents with state capital was rather low (4.7% of the budgetary provisions of RON 3,517.5 ths), and the payments made for Goods and services were by RON 2,797.14 ths below the budget (-14.3%, lower payments being mainly made for Other materials and services for maintenance and functioning, Fuels and additives and for Water, sewerage and sanitation).

The main investment projects set up for 2016 relate to earthworks over Trebes creek related to water pipeline and sewerage, water supply network expansion and modernization of pre-collector platforms for household waste

Expenditures execution degree from the revised budget at Q4 2016

- Within the **Insurance and social assistance** chapter, the expenditures execution degree was of 83.5% of the final budget. The payments made for Other expenditures in the insurance and social assistance field amounted to RON 10,696.7 ths, being by 24% under the budget, the expenses for Assistance for the elderly were in amount of RON 2,568.6 ths (accounting for 63.3% of the final budgetary provisions), the payments made for Social assistance for the disabled in amount of RON 17,327.1 ths represented 90.5% of the budgetary provisions and the expenses on Nurseries were of RON 2,852.7 ths (representing 78.2% of the final budget). From the economic perspective, a low execution degree was recorded at the level of Investment expenditures (the budgetary provisions being of RON 2,988.5 ths), lower payments were also made for Social support (by 10% below the budget, in total amount of RON 17,945.7 ths) and the expenses for Goods and services were in amount of RON 7,806.5 ths, recording an execution degree of 87.7%.

For 2016, the main investment projects relate to the rehabilitation of the building from Milcov Street, for temporarily housing the homeless people (a project sustained from the Regional Operational Program) and for the execution of the works related to the elements of security and intervention in the event of fire and electrical connections to the Social Centre for the care of elderly persons, located on Aleea Ghioceilor Street (the works being financed by the local budget).

- The expenses made for **Housing, public services and development** accounted for 62.5% of the final budgetary provisions, a lower execution degree being recorded for Houses (of 39.5%, the payments made amounting to RON 1,002.1 ths). Expenses of RON 4,197.8 ths were incurred for Public lighting and electrification, namely representing 65.2% of the final budgetary provisions, and the payments made for Other services for housing, public services and rural development in amount of RON 4,381.8 ths accounted for 68.8% of the final provisions. From the economic perspective, the execution degree of the Investment expenditures was of 43.3% (the payments made being of RON 5,577.7 ths) and the expenses on Goods and services accounted for 71.7% of the final budgetary provisions (the payments made being by RON 2,246.3 ths below the budget, especially at the level of Current repairs, Other materials and services for maintenance and functioning and Heating, lighting and driving force lines).

The main investment projects relate to the continuation of the investment works related to the thermal rehabilitation of the residential buildings, the building of an office destination module inside the Centre of Business and Exhibitions "Mircea Cancicov", modernization works at South Market, Central Market and CFR Market.

- Regarding the **Public authorities and external actions** chapter, the expenditures incurred accounted for 82.2% of the final provisions (-RON 3.839.5 ths). The evolution was mainly due to the low execution degree of the Capital expenditures (of 35.3%, the budgeted level being of RON 2,096.3 ths), and the payments made for Loan reimbursements were by RON 1,515.8 ths under the budget (-19%, having in view the prolongation of the drawdown period and of the grace period of an ongoing credit facility).

Table of contents Part III

Part III: Budgetary expenditures (economic classification)

- The dynamics of the expenditures performed in the period of 2013 - 2016
- The variation of the expenditures performed in 2016, as compared to the level attained in 2015
- Budgetary provisions: the achievement degree of the expenditures performed in 2016
- Expenditures ratios
- Budgetary provisions for 2017

The dynamics of the expenditures incurred for the period 2013 - 2016

Economic classification

'000 RON

The ***Operational expenses*** recorded an increasing trend for the 2013-2015 period, +4% in 2014 (by RON 9,814.7 ths) and +5.7% in 2015 (by RON 14,465.9 ths), while in 2016 they posted a slight decrease by RON 1,816.1 ths below the 2015 level (-0.7%).

-> The **Staff costs** posted an upward trend for the entire analysed period, with different paces +13.5% in 2014 (by RON 14,817.5 ths), +5% in 2015 (by RON 6,298.8 ths) and +4.4% in 2016 (by RON 5,771.7 ths). In 2014, higher expenses were mainly recorded within the Education chapter (the payments made being by RON 16,956.5 ths over the 2013 level, +19.5%), while no expenses were recorded within the Health chapter (in 2013 their level was of RON 2,709.3 ths), yet being reflected as Current transfers. In 2015, increased payments were made within the Education and Insurance and social assistance chapters, while in 2016 the evolution reflected especially within the chapters: Insurance and social assistance (+RON 3,792.4 ths) and Public Authorities and external actions (+RON 790.6 ths).

-> The expenses incurred for the **Goods and services** chapter, without considering the commissions and other loan-related costs, posted an oscillating evolution. In 2014, the payments made were of RON 78,749.8 ths, by 15.9% below the 2013 level, in 2015 they went up by 3.3% over the 2014 level, and in 2016 they amounted to RON 74,361.1 ths (+8.6%). Within the chapter, significant payments were made especially for:

- *Heating, lighting and driving force*; these expenses posted an increasing evolution for the period 2013-2015 (+59.6% in 2014 and +19.4% in 2015, to a level of RON 34,657.2 ths), while in 2016 they dropped by 39.8%. They were especially recorded within the following chapters: Fuel and power, Education and Housing, public service and development. Within the Fuel and power chapter, the payments made for the period 2014-2016 represented rescheduled payments of overdue debts of CET Bacau towards C-GAZ & ENERGY Distributie that were taken over by Bacau City, amounting to RON 12,287.9 ths in 2014, to RON 17,192.8 ths in 2015 and RON 4,628.1 ths in 2016.

- *Other materials and services for maintenance and functioning*, with the highest level recorded in 2013 (of RON 23,078.8 ths), afterwards recording a downward trend, -24.1% in 2014 and -6.1% in 2015, followed by an increase by 5.7% in 2016, to the level of RON 17,388.7 ths. They were mainly recorded within the Environment protection chapter.

- *Current repairs*, this line had a downward evolution through the period, from a level of RON 32,836.2 ths in 2013, -59.7% in 2014, -19.2% in 2015, to RON 6,689.3 ths in 2016 (by 37.5% below the 2015 level). These expenses were mainly reflected within the Transport chapter.

- *Contributions of local public administrations to the achievement of some public local services based on partnership and association agreements*. Through the period, these expenditures pertained mostly to the Insurance and social assurance chapter and recorded a rather constant level, the highest level was recorded in 2016 (of RON 5,459.4 ths), +9.2% over the 2015 level.

- *Other expenses with materials and services*; this line recorded a significant level in 2016 (being of RON 11,782.4 ths), when payments in amount of RON 9,200 ths were made towards Thermoenergy Group SA representing losses induced by the provision of public services regarding the production, transmission, distribution and supply of heating energy, within the Fuel and power chapter.

-> The payments made for **Subsidies**, namely Subsidies for covering the differences on prices and tariffs, entirely within the Fuel and power chapter, posted an increasing evolution through the period 2013-2015 (+74.1% in 2014 and +11.5% in 2015, to a level of RON 11,927.6 ths). In 2016, they amounted to RON 6,000 ths, having in view that no such payments were incurred during Q1/2016. In Q4/2015, a short term loan in amount of RON 16,000 ths was contracted from the Ministry of Finance (based on the GEO 46/2015) for the payment of the current expenditures for securing the heating energy supply in the cold season 2015/2016.

-> The expenses on **Current transfers** recorded an upward trend through the analysed period, with different paces, +31.8% in 2014 (by RON 3,195.3 ths), +42.2% in 2015 (by RON 5,597.5 ths) and +3.2% in 2016 (by RON 604.7 ths). The Transfers to public institutions increased from RON 8,998.8 ths in 2013 to RON 15,294 ths in 2016, mainly recorded within the chapters: Public order and national security (for Local Police) and Culture, recreation and religion. The transfers for Health actions, entirely recorded within the Health chapter, posted a significant increase in 2014 (+204.7%, to the level of RON 3,230.1 ths), due to reflecting at this level of the staff costs.

The ***Investment expenditures*** recorded an oscillating evolution, in 2014 they dropped by 25.2% under the 2013 level (-RON 30,521.5 ths), in 2015 they went up by 22.2% (+RON 20,043.8 ths, mainly on the mainly on the account of larger allocations for the developing of the projects unfolded from EU non-reimbursable funds). In 2016, their level reduced significantly, by RON 91,547.3 ths, considering the closure of investment projects carried out from ROP 2007 - 2013, the final date of eligibility for expenditure paid by beneficiaries was 31.12.2015, GD 678/2015.

-> The amounts allocated for the **Projects developed from external non-reimbursable funds** posted an oscillating evolution, during the analysed period several investment projects were commenced with financing from EU non-reimbursable funds, mainly within the Transport chapter (projects unfolded from the European Fund for Regional Development) and Fuel and power chapter (from the Cohesion fund). The payments made for the projects financed from the European Fund for Regional Development recorded a significant increase in 2014, by RON 7,382.5 ths (+27.9%). In 2015, the level of such expenses dropped by 16.5% (-RON 5,584.8 ths), as lower payments were made for the programs unfolded within the Transport chapter (-49.1%, by RON 15,322.4 ths), yet coupled with increased allocations within the Culture, recreation and religion chapter, in total amount of RON 11,482.3 ths (in 2014 the payments made being at a low level). The expenses made in 2016 amounted to RON 6,081.3 ths, being mostly Non-eligible expenses for the completion of projects that needed to be completed in 2016. Within the Culture, recreation and religion chapter, through LCD no.263 from 09.21.2016, it was approved the extension and the completion period of the financing contract for the project "Rehabilitation and modernization of Bacau Pleasure Island" until 31.12.2018.

The amounts expensed for the project unfolded from the Cohesion fund (Refurbishment of the heating system of Bacau Municipality, in order to comply with the environmental standards on air emissions and for the increase of the efficiency in urban heat supply) in 2014 were by 35% lower than the level incurred in 2013 (-RON 18,595 ths), in 2015 they went up by 90.7% (+RON 31,361.1 ths), while the value of the payments made in 2016 was of RON 4,219.2 ths (-93.6% under the 2015 level).

-> The **Capital expenditures** recorded a downward trend for the entire period, with different paces, mainly as a result of lower expenses being made on Fixed assets (from a total level of RON 36,697.9 ths in 2013 to RON 6,150.2 ths 2016). In 2013, within the Health chapter, significant payments were made, from the Local budget (in total amount of RON 16,585.8 ths), for the construction works at Bacau Municipal Hospital, in 2014 the amounts expensed reduced to RON 2,229.1 ths and in 2015 they posted a low level. Within the Culture, recreation and religion chapter, the capital expenditures recorded a significant level in 2013 (of RON 6,585.8 ths) and 2014 (of 2,393.5 ths), mainly related to the works on the Multifunctional Sports Hall (Sala Polivalenta a Sporturilor). The expenses recorded within the Housing, public services and development chapter posted an increasing level for the period 2013-2015, from RON 970.6 ths in 2013, +45.9% in 2014 and +16.3% in 2015, while in 2016 they recorded a low level of RON 415.4 ths (-74.8%). The payments made within the Fuel and power chapter in 2013 amounted to RON 4,724.5 ths, in 2014 they went up by 40.8% (+RON 1,925.8 ths), for the following period posting lower levels, of RON 401.6 ths in 2015 (-94%) and RON 937.9 ths in 2016.

The amounts allocated for the Participation in the social capital of the commercial companies posted a lower level in 2014 (-34.1% below the 2013 level, in total amount of RON 2,800 ths), in 2015 they increased by 210.7% (amounting to RON 8,700 ths, mainly within the Fuel and power chapter, and represented the participation in the share capital of Thermoenergy Group SA Bacau).

-> For the analysed period, investment expenditures were also financed from ongoing credit facilities, namely disbursements of RON 6,468.9 ths were recorded in 2013 (mainly within the Health chapter), of RON 4,792.5 ths in 2014 (mostly for investments within the Fuel and power chapter), of RON 28,574.3 ths in 2015 (of which, the amount of RON 9,323.5 was paid for works related to the rehabilitation of Insula de agrement project (Culture, recreation and religion chapter) and payments of RON 18,604.3 ths were recorded for investments expenses within the Fuel and power chapter). In 2016, the total disbursements amounted to RON 15,864.2 ths (mainly for co-financing the projects with EU financing within the chapters: Culture, recreation and religion, Fuel and power and Transport).

In 2014, the ***financial expenditures*** posted a rather similar level as in 2013, having in view the expenses on Interests went down by RON 5,947.7 ths (-39%) as a result of the repayments made for the ongoing credit facilities and the favourable evolution of the interest rates on the market, coupled with increased payments for Loan reimbursements, by RON 5,780.9 ths (+56.6%), given the expiry of the grace period of an ongoing loan and the payments made for the credit contracted from the Ministry of the Public Finance in Q2/2013.

In 2015, the payments made were by 44.3% under the 2014 level (-RON 11,378 ths), as a result of lower payments made for both Loan reimbursements, given the refinancing of an ongoing credit facility (and the prolongation of the grace period) and also the fact that for the credit contracted from the Ministry of Public Finance in Q2/2013 the capital payments for 2015 were paid in advance in December 2014 (through the effect of the GED 74/2014, regarding the rectification of the State budget for 2014) and Interest (due to reducing of the outstanding financial debts and the evolution of interest rates on the market.

In 2016, the financial expenditures were by RON 19,471.4 ths over the 2015 level, as higher payments were made for Loan reimbursement (mainly related to the facilities contracted from The Ministry of Finance).

The evolution of expenditures incurred for the period 2015 - 2016

Economic classification

'000 RON

Economic expenditures variation

The structure of the payments made

-> The ***operational expenses*** incurred in 2016 were by 0.7% under the 2015 level (-RON 1,816.1 ths), having in view that:

- lower payments were made for **Goods and services**, without considering the commissions and other loan- related costs, by RON 7,006.5 ths (-8.6%, in total amount of RON 74,361.1 ths). Hence, lower expenses were recorded mainly for Heating, lighting and driving force, -39.8% (in total amount of RON 20,862.8 ths, within the Fuel and power and Education chapters) and for Current repairs, -37.5% (in amount of RON 6,689.3 ths, mainly within the Transport chapter). Higher payments were especially made for Other expenses with materials and services, by RON 10,244.8 ths (mainly at the Fuel and power chapter level), for Other materials and services for maintenance and functioning, +5.7% to the level of RON 17,388.7 ths (larger payments being especially made for Environment protection, by RON 1,917.4 ths (+17.5%), and lower payments were recorded for the Transport chapter, by RON 1,088.6 ths (-78.3%)), and for Contributions of local public administrations to the achievement of some public local services, based on partnership and association agreements, by RON 459.7 ths, +9.2% (mainly for Education chapter).

- the **Subsidies** granted in 2016 (namely Subsidies for covering the differences on prices and tariffs within the Fuel and power chapter) were of RON 6,000 ths, by 49.7% lower than the 2015 level. We mention that no such payments were incurred in Q1/2016, as, for making the current payments to ensure the supply of heating during the cold season, a short term loan was contracted in Q4/2015 from the Ministry of Public Finance, based on GED 46/2015 (the value of such expenditures estimated for Q1/2016 was of RON 8.500 ths).

- within the **Other expenditures chapter**, the payments made for Associations and foundations amounted to RON 5,379.9 ths, thus by 31.9% below the 2015 level, the expenses for Cults' support posted a low level, of RON 6.4 ths (as compared to the payments level incurred in 2015 of RON 2,004.8 ths), while the payments for Scholarships (within the Education chapter) went up by 47%, to the level of RON 2,490.4 ths.

In addition, increased expenses were recorded within the chapters:

+ **Staff costs**, by RON 5,771.7 ths (+4.4%). Increased payments were made for Base salaries, +4.4% (in total amount of RON 103,690 ths) and for the Fund for payments by the hour, +22.6% (by RON 1,103.1 ths). Higher Staff costs were recorded mainly within the chapters: Insurance and social assistance (by RON 3,792.4 ths, +41.6%), Public authorities and external actions (by RON 790.6 ths, +12.8%) and Environment protection (by RON 431.2 ths, +14%).

+ **Social assistance**, by RON 6,222.8 ths (+50.2%). The allocations for Social support in cash amounted to RON 12,997.4 ths, thus being by 4.9% over the 2015 level, as allocations in amount of RON 647.9 ths were made within the Education chapter (no such expenses being made in 2015). For the analysed period Gift tickets were granted for social expenditures, in amount of RON 5,596.1 ths, within the Insurance and social assistance chapter (no such expenses being recorded in 2015).

+ **Current transfers**, by RON 604.7ths (+3.2%). The Transfers to public institutions amounted to RON 15,294 ths, remained at a rather similar level with the 2015 level, as higher expenses were recorded for Public order and national security (by RON 737.7 ths, +8.8%, namely for the Local police) coupled with lower payments made within the Culture, recreation and religion chapter (by RON 665.4 ths, -9.7%). The value of the transfers for Health actions, within the Health chapter, went up by RON 532.4 ths over the 2015 level (+14.7%).

+ **Internal transfers**, by RON 620.4 ths (+26.2%). The transfers made for Investments of the economic agents with state capital amounted to RON 1,124.4 ths, within the Fuel and power and Environment protection chapters, and within the Education chapter payments in amount of RON 890.6 ths were made for the Financing of private or confessional accredited education (no such expenses being recorded in 2015).

-> The ***Investment expenditures*** recorded a low level, being by 82.9% under the value attained in 2015 (-RON 91,547.3 ths). There were mainly amounts allocated for the Projects developed from external non-reimbursable funds, mostly Non-eligible expenses related to the investment projects financed from the European Fund for Regional Development within the Culture, recreation and religion and Transport chapters, and, respectively from the Cohesion fund within the Fuel and power chapter.

- The **capital expenditures** went down by RON 6,377.4 ths below the 2015 level (-43.9%), especially within the Fuel and power chapter.

For the analysed period, the total payments for investments from ongoing credit facilities were of RON 15,864.2 ths.

-> The ***Financial expenditures*** increased by RON 19,471.4 ths as compared to the level incurred in 2015 (+136.3%), having in view:

+ the higher payments made for **Loan reimbursements**, by RON 19,798 ths (+213.9%), considering that in Q1/2016 it was fully reimbursed the facility contracted from the Ministry of Public Finance in Q2/2013 the principal repayments for 2015 being paid in advance in December 2014 (according with GEO 74/2014 regarding the amendment of the state budget for 2014 and some other budgetary measures), as well as the beginning of the principal reimbursement for the loan contracted from the Ministry of Finance in Q4/2015, based on the GEO 46/2015, for covering the current expenditures for securing the heat supply in the cold season (these expenses were entirely recorded within the Fuel and power chapter).

- while the **Interest** expenditures were by RON 118.6 ths below the 2015 level (-2.5%).

Budgetary provisions

Economic classification

'000 RON

Revised budget at Q4 2016 as compared to the planned budget

From the economic perspective, the budgetary amendment aimed mainly at increasing the provisions related to the ***Operational expenditures***, by RON 42,292.5 ths (+16.4%), increased allocations being made within the following chapters:

+ **Staff costs**, by RON 21,456.4 ths (+17.7%), mainly within the chapters: Education and Insurance and social assistance;

+ **Goods and services**, without considering the Commissions and other costs for debts, by RON 14,280.4 ths (+18.6%). Increased allocations were set up mainly for Other expenses with materials and services (by RON 10,491.6 ths, +379%, as, within the Fuel and power chapter expenses at this line were budgeted in amount of RON 9,208 ths, nil provisions being made within the initial budget), for Other materials and services for maintenance and functioning (by RON 3,036.2 ths, +16.6%, especially within the chapters: Environment protection, Culture, recreation and religion and Education), for Water, sewerage and sanitation (by RON 1,929.6 ths, +61.5%, largely for Environment protection), for Contributions of the local public administrations to the achievement of some public local services, based on partnership and association agreements (by RON 964.5 ths, +21.8%, within the Insurance and social assistance chapter), while lower provisions were especially recorded for Heating, lighting and driving force (by RON 800 ths, -3.8%, highly for Education and Environment protection) and for Current repairs (by RON 3,383.6 ths, -20.7%, highly within the Transport chapter).

+ **Social assistance**, by RON 8,325.4 ths (+67.6%). Thus, expenses in amount of RON 5,750 ths were set up for Gift tickets granted for social expenditures (entirely within the Insurance and social assurance chapter), no such provisions being included within the initial budget, the provisions for Social support were increased by RON 2,505.4 ths over the initial budget (+20.3%), higher allocations were made within the Insurance and social assistance chapter, by RON 1,835.5 ths (+14.9%) and expenses in amount of RON 669.9 ths were provisioned within the Education chapter (no such expenses were set up within the initial budget).

+ **Internal transfers**, by RON 2,732.7 ths (+47.7%). The budgetary provisions for Investments of the economic agents with state capital were increased by RON 1,650.9 ths (+36.5% over the initial budget, by RON 2,000.9 ths within the Environment protection chapter, while the provisions within the Fuel and power chapter were reduced by RON 350 ths), and within the Education chapter, expenses in amount of RON 936 ths were budgeted for Financing of private or confessional accredited education (not initially provisioned).

+ **Current transfers**, by RON 947.7 ths (+4.5%), mainly related to Transfers to public institutions, within the Public order and national security chapter.

-> ***Financial expenditures***, by RON 2,072 ths (+6.1%), entirely regarding the Loan reimbursements chapter.

Expenditures execution degree from the revised budget at Q4 2016

The expenditures execution degree was of 75.2%, the payments made being by RON 105,435.3 ths below the final budgetary provisions

-> The ***Investment expenditures*** recorded a low execution degree of 21.5% of the final budgetary provisions.

- within the **Projects financed from non-reimbursable external funds** chapter, the budgetary provisions for the programs developed from the European Regional Development Fund amounted to RON 10,113.3 ths, mostly Non-eligible expenses for the completion of projects within the chapters: Culture, recreation and religion, Transport and Insurance and social assistance, the payments made accounting for 60.4% of the final budget (the execution degree within the Transport chapter was of 65.9%, and reduced payments were made within the Insurance and social assistance chapter, the budgeted level being of RON 1,196.7 ths). For the project developed from the Cohesion Fund, within the Fuel and power chapter, the budgetary provisions were in amount of RON 40,816.2 ths, while the execution degree was of 10.3%.

- The execution degree of the **Capital expenditures** was of 22.6%, a low realization degree being recorded within all expenditure chapters. Significant budgetary provisions were recorded within the chapters: Health (in amount of RON 10,705.2 ths, the execution degree being of 2.8%), Culture, recreation and religion (at a level of RON 5,664.7 ths and an execution degree of 21.4%), Housing, public services and development (of RON 5,577.7 ths, of which RON 2,137 ths were allocated for Participation in the social capital of the commercial companies, the execution degree was of 43.3%), Transport (in amount of RON 3,685.1 ths), Transport (at a level of RON 3,966.5 ths) and Fuel and power (of RON 1,699.3 ths, the execution degree being of 55.2%).

- The **Capital transfers** were by RON 640.3 ths below the budgeted level (-60.3%), mainly related to Transfers for financing the investments on hospitals, within the Health chapter (the budgeted level being of RON 924.7 ths, the execution degree being of 43.8%), while the budgetary allocations for Other capital transfers to the public institutions were of RON 136.5 ths (within the Public order and national security and Culture, recreation and religion chapters), the execution degree being of 11.7%.

-> The ***operational expenditures*** were by RON 33,847.5 ths below the final budgetary provisions (the execution degree was of 88.7%).

- The payments made for **Goods and services**, without considering the commissions and other loan-related costs amounted to RON 74,361.1 ths, being by 18.4% under the budgeted level. Lower expenses were mainly recorded for Current repairs (by RON 6,242.6 ths, -48.3%, mainly within the Transport and Housing, public services and development), for Other materials and services for maintenance and functioning (by RON 3,893.7 ths,-18.3%, mainly for Environment protection), for Heating, lighting and driving force (by RON 1,265.1 ths, -5.78%) and for Other expenses with materials and services (by RON 1,477.7 ths, -11.1%).

- The **Staff costs** recorded an execution degree of 95.8% of the final provisions, the payments made being by RON 6,059.2 ths under the budget. Lower expenses were recorded for Base salaries (by RON 3,077.6 ths, -2.9%) and for Contributions (by RON 3,145.5 ths, -11%). The evolution mainly reflected within the following chapters: Education, Insurance and social assistance, Environment protection and Culture, recreation and religion.

- The payments made for **Social assistance** were by RON 2,022.6 ths below the budgeted level (namely, they posted a realization degree of 90.2%), lower payments being especially made for Social support in cash.

- The value of the **Internal transfers** was by RON 5,471.6 ths lower than the budgetary provisions (-64.7%), mainly having in view the low execution level of the transfers for Investments of the economic agents with state capital (of 18.1%), the budgeted level being of RON 6,224.5 ths (such provisions being recorded within the chapters: Fuel and power, in amount of RON 2,707 ths, and Environment protection, at a level of RON 3,517.5 ths).

Expenditures execution degree from the revised budget at Q4 2016

- The level of the **Current transfers** was by RON 2,503.6 ths below the budget (-11.4%), lower allocations being especially made for Transfers to public institutions (by RON 2,366 ths, the budgetary provisions were of RON 17,660.1 ths), largely within the chapters: Public order and national security (for the Local police) and Culture, recreation and religion.

- Regarding the **Other operational expenses**, they amounted to RON 8,095.1 ths, thus being by RON 1,054.9 ths under the budget (-11.5%). The expenditures on Scholarships (within the Education chapter) were of RON 2,490.4 ths, almost at the budgeted level, and within the Culture, recreation and religion chapter, the payments made for Associations and foundations amounted to RON 5,379.9 ths (that is 85.4% of the budgeted level).

-> The payments made for ***Financial expenditures*** were by RON 2,485.4 ths below the budgeted level (-6.9%), lower payments being made for **Loan reimbursements** (by RON 1,538.7 ths, -5%) and for **Interests** (by RON 727.9 ths, -13.5%).

Expenditures ratios

in 2016 as compared to 2015

'000 RON

Ratios	2016	2015
Total staff costs	**136,817.2**	**131,045.5**
Expenditures per Capita	694.9 lei	668.3 lei
The expenditure weight in the operational expenditures	51.4%	48.9%
Staff costs for Education	**108,007.1**	**108,125.7**
Expenditures per Capita	548.6 lei	551.4 lei
The expenditure weight in the operational expenditures	40.6%	40.3%
Current compulsory expenditures	**161,435.4**	**155,368.5**
Expenditures per Capita	820.0 lei	792.4 lei
The expenditure weight in the operational expenditures	60.6%	57.9%
Operational expenditures	**266,332.7**	**268,148.7**
Expenditures per Capita	1,352.7 lei	1,367.5 lei
The expenditure weight in the total expenditures	83.5%	68.3%
Expenditures on debt service financing	**33,758.5**	**14,287.1**
Expenditures per Capita	171.5 lei	72.9 lei
The expenditure weight in the total expenditures	10.6%	3.6%
Total expenditures on investments	**18,871.5**	**110,418.8**
Expenditures per Capita	95.9 lei	563.1 lei
The expenditure weight in the total expenditures	5.9%	28.1%
The expenditures' rigidity	42.9%	33.4%
The weight of the payments from the operating section in the total payments	93.7%	71.9%
The weight of the payments from the development section in the total payments	6.3%	28.1%
The deficit/the surplus of the operating section	28,197.3	7,839.0
The deficit/the surplus of the development section	349.0	-7,815.2
The weight of the local public debt service in the total made payments	11.1%	4.8%
Maximum annual debt	**54,573.2**	**53,814.6**
Net direct debt	**21,744.0**	**38,626.2**
Direct indebtedness level	18.0%	8.5%
Net public debt	**19,064.7**	**34,815.6**
Public indebtedness level	19.5%	10.6%
The total expenditures achievement degree from the initial	83.5%	69.2%
The achievement degree from the initial budget of the		
Operational expenditures	103.3%	110.1%
Staff costs	112.7%	117.8%
Current compulsory expenditures	120.7%	126.7%
Expenditures on debt service financing	98.8%	84.9%
Investment expenditures	21.0%	36.0%
The funds absorption level of the total expenditures	**91.8%**	**100.0%**
Investment expenditures / Operational revenue:	5.6%	35.4%
Capita, as of	196,883 1 ianuarie 2016	196,083 1 ianuarie 2015

-> The total **Staff costs** incurred in 2016 were by RON 5,771.7 ths over the level attained in 2015 (+4.4%), higher expenses being mainly recorded within the chapters: Insurance and social assistance (by RON 3,792.4 ths, +41.6%), Public Authorities and external actions (by RON 790.6 ths, +12.8%) and Environment protection (by RON 431.2 ths, +14%).

-> The **Current compulsory expenditures** went up by RON 6,066.9 ths (+3.9%), as a result of:

+ higher *Staff costs* and

+ increased expenses made for *Social assistance* (by RON 6,222.8 ths, +50.2%), mainly within the Insurance and social assistance chapter, through the granting of Gift tickets for social expenditures, coupled with

- lower expenses incurred from the local budget for *Subsidies for covering the differences of prices and tariffs* (by RON 5,927.6 ths, -49.7%).

-> The **Operational expenditures** were by RON 1,816.1 ths below the 2015 level (-0.7%), the evolution being triggered by:

- a lower level of the payments made for *Goods and services*, without considering the commissions and other loan-related costs (by RON 7,006.5 ths, -8.6%, mainly for Heating, lighting and driving force within the Fuel and power and Education chapters, and for Current repairs, within Transport chapter), coupled with

+ higher *Current compulsory expenditures* and

+ increased *Internal transfers* (by RON 620.4 ths, +26.2%), highly on the account of the transfers made for Investments of the economic agents with state capital, especially within the Fuel and power chapter, and for Financing of private or confessional accredited education within the Education chapter.

-> The **Expenditures on debt service financing** were by RON 19,471.4 ths over the level incurred in 2015 (+136.3%), having in view the increased payments made for *Loan reimbursements* (by RON 19,798.1 ths, +213.9% due to the payments made related to the loan contracted from the Ministry of Finance).

-> The **Investment expenditures** posted a low level, being by RON 91,547.3 ths below the 2015 level (-82.9%), the payments made being mostly related to the Projects financed from post-accession non-reimbursable external funds, especially non-eligible expenses related to the projects developed from the European Fund for Regional Development.

Budgetary provisions

Functional/economic classification

'000 RON

Budgetary provisions for 2017, as compared to the execution in 2016 (Variations)

Budgetary chapter	TOTAL EXPENDITURES	Total Operational Expendtures	Operational expenditures, out of which: Staff costs	Goods and services*	Social assistance	Financial Expenditures	Investment Expenditures	Investment expenditures (Total provisions 2017)
Public Authorities and external actions	21,598.2	4,359.5	3,928.2	516.7	-	13,393.2	3,845.4	4,584.9
Other general public services	2,924.9	2,916.5	1,213.4	1,147.2	-	-	8.4	152.5
Transactions regarding the public debt and loans	-3.3	0.0	-	-	-	-3.3	-	-
General Transfers between different levels of administration	-	-	-	-	-	-	-	-
Defense	-	-	-	-	-	-	-	-
Public order and national security	3,460.7	3,044.5	62.3	196.4	-	-	416.2	435.0
Education	8,190.9	4,443.7	3,525.9	21.5	363.4	-	3,747.2	4,241.5
Health	9,902.4	1,733.2	-	47.1	-	-2,498.1	10,667.3	11,369.2
Culture, recreation and religion	10,666.8	7,707.3	-156.1	3,066.5	-	-	2,959.6	5,866.5
Insurance and social assistance	18,390.2	16,154.1	7,846.8	1,881.5	5,912.6	-	2,236.0	2,353.6
Housing, public services and development	4,639.8	2,400.6	992.4	1,408.2	-	-	2,239.2	4,654.6
Environment protection	10,295.2	5,591.8	-1,100.6	5,275.4	-	-210.8	4,914.2	6,642.0
General economic, commercial and working actions	-	-	-	-	-	-	-	-
Fuel and power	24,707.0	6,510.4	-	-1,828.1	-	-15,610.0	33,806.6	38,963.6
Agriculture, Forestry, Fish breeding and Hunting	-	-	-	-	-	-	-	-
Transport	9,540.7	-536.9	-77.4	-459.5	-	-225.0	10,302.6	14,750.8
Other economic actions	-	-	-	-	-	-	-	-
TOTAL	**124,313.5**	**54,324.8**	**16,234.8**	**11,273.0**	**6,276.0**	-5,154.1	**75,142.8**	94,014.3

*) ***Goods and services*** *title, highlighted within the Operational Expenditures, does not include the expenditures on Commissions and other costs related to loans, being reflected at the level of the Financial Expenditures;*

Within the initial revenues and expenditures budget for 2017, the total expenses provisioned are in amount of RON 443,276.2 ths, considering the full utilisation of the accumulated reserves as of 2016YE (in total amount of RON 55,348 ths).

-> The budgetary provisions regarding the ***operational expenditures*** are in amount of RON 320,657.5 ths, being by 20.4% higher than the level incurred in 2016.

+ The allocations for the **Staff costs** are by RON 16,234.8 ths over the 2016 attained level (+11.9%), higher allocations being made especially within the following chapters: Insurance and social assistance (+60.8%, in total amount of RON 20,750 ths), Public Authorities and external actions (+56.3%, at a level of RON 10,900 ths) and Education (+3.3%, in amount of RON 11,533 ths). The legal basis is the GEO no. 2 / 06.01.2017, which provides in Article 1 (1) the following: starting with February 1st, 2017, the gross base salaries / allowances enjoyed by staff paid from public funds in institutions and local authorities, regardless of the funding system and subordination, is increased by 20% compared to the level granted in January 2017.

Budgetary provisions for 2017, as compared to the execution in 2016 (Variations)

+ The budgeted payments for **Goods and services**, without considering the commissions and other loan- related costs, are in amount of RON 85,634 ths (+15.2% over the level incurred in 2016). Thus, higher allocations were made for:

+ *Other materials and services for maintenance and functioning*, in amount of RON 26,588.6 ths (+52.9%), mainly within the chapters: Environment protection (of RON 18,064 ths, +40.5%) and Culture, recreation and religion (+131.6%, to the level of RON 3,708 ths).

+ *Other expenses with materials and services charges* (+35.8%, in total value of RON 16,006.4 ths), increased provisions being made especially within the Fuel and power chapter (+30.4%, to the level of RON 12,000 ths)

+ *Contributions of local public administrations to the achievement of some public local services, based on partnership and association agreements* (+41.1%, in amount of RON 7,705.6 ths), largely within the chapters: Education (+315.2%, to the level of RON 1,893.1 ths) and Insurance and social assistance (+16.2%, of RON 5,812.5 ths).

Budgetary allocations under the level of expenditures incurred in 2016 were made especially for:

- *Heating, lighting and driving force* (-20.8%, the initial provisions being of RON 4,338.9 ths), especially having in view that no such provisions were made within the Fuel and power chapter (while the expenses made in 2016 amounted to RON 4,628.1 ths), while for the other chapters, the provisions made were at a rather similar level with the one incurred in 2016.

- *Current repairs*, the budgetary provisions of RON 5,433.5 ths being by 18.8% under the level of the expenses made in 2016, highly as lower payments were budgeted within the Transport and Education chapters.

+ The initial budgetary provisions for **Social assistance** are in amount of RON 24,894.2 ths (+33.7% over the level of expenses incurred in 2016), larger allocations were made for Social support in cash (+37.3%, in amount of RON 17,844.2 ths) and for Gift tickets granted for social expenditures (in total value of RON 7,000 ths, +25.1%).

+ The budgetary allocations for **Subsidies**, exclusively Subsidies for covering the differences on prices and tariffs, within the Fuel and power chapter, are of RON 12,400 ths, +106.7% over the level of the payments made in 2016, given that in the previous period these expenses were partially made from a loan granted by the Ministry of Finance.

+ The provisions for **Current transfers** amount to RON 25,724.9 ths are by RON 32.2% higher that the level of the payments made in 2016. The transfers to public institutions were set up at the level of RON 19,876.3 ths (+30%), higher allocations being made especially within the chapters: Public order and national security (+30.6%, for the Local police) and Culture, recreation and religion (+29.1%). The level of transfers for Health actions (within Health chapter) was budgeted at RON 5,848.6 ths (+40.5% higher than the payments made in 2016).

+ Regarding the **Internal transfers** chapter, expenses in amount of RON 4,333.7 ths were budgeted for Investments of the economic agents with state capital, namely within the Fuel and power and Environment protection chapters (the payments made in 2016 were of RON 1,124.4 ths).

Budgetary provisions for 2017, as compared to the execution in 2016 (Variations)

-> The budgetary provisions regarding the ***Investment expenditures*** amount to RON 94,014.3 ths, by 398.2% over the level of expenses incurred for the previous period.

+ The **capital expenses'** initial provisions amount to RON 56,047.1 ths, while the payments made in 2016 were of RON 8,150.2 ths. An important expenditures level was set up within the chapters:

+ **Health** (RON 10,976.2 ths), mainly related to the continuation of works related to the Municipal Hospital (the amount of RON 10,716.2 ths being budgeted as capital expenses and works in amount of RON 7,934 ths are to be financed from bank loans, while expenses in amount of RON 2,000 were set up for machinery and equipment acquisitions, to be financed from bank loans).

+ **Transport** (RON 14,390.8 ths), for the construction, rehabilitation and modernization of roads, expenditures in amount of RON 8,483.7 ths being set up for the completion of ongoing projects.

+ **Environment protection** (RON 6,642 ths), the main investment projects being: continuation of earthworks over Trebes creek related to water and sewerage pipelines and the building of a shelter for stray dogs, and the commencing of works regarding the project: closing of cell 1 of the landfill and construction of the water reserve storage.

+ **Culture, recreation and religion** (RON 5,806.5 ths), mainly for the continuation of construction works for the consolidation and modernization of the Municipal Stadium, the beginning of works related to the rehabilitation and modernization of the Youth centre and of the sports centre “Lucretiu Patrascanu”, building of a parking lot and landscaping of the park near the cathedral. For the continuation of works for the rehabilitation and modernization of the “Leisure Island” budgeted expenditures in amount of RON 19,343.5 ths are to be financed mainly from ongoing credit facilities.

+ **Housing, public services and development** (RON 4,654.6 ths), for works related to the thermal rehabilitation and consolidation of residential buildings and for conducting necessary studies and surveys related to projects that will be started.

+ **Public authorities and external actions** (RON 4,584.9 ths), mainly for a number of studies and surveys related to joint projects with Local Development Agency Bacau.

+ **Education** (RON 4,241.5 ths), related to works on redevelopment, rehabilitation, construction and consolidation of several educational institutions in the city and for the preparation of studies and surveys necessary for new investment objects.

+ The budgetary provisions for the **Projects developed from external non-reimbursable funds** amount to RON 37,359.2 ths, almost entirely related to the projects financed from the Cohesion Fund, namely within the Fuel and power chapter (for Refurbishment of the heating system of Bacau Municipality). In addition, within the Fuel and power chapter, there were budgeted capital expenses in amount of RON 2,024.4 ths.

-> The provisions for the ***Financial expenditures*** were set up at RON 28,604.4 ths, by 15.3% lower than the expenses made in 2016.

- The initial allocations for **Loan reimbursements** were set up, according to the provisions of the ongoing credit contracts, to a level of RON 23,904.4 ths (-17.7%), having in view the full repayment in Q1/2017 of the facility contracted from the Ministry of Finance and the beginning of the reimbursement period of an ongoing facility.

- The **Interest** payments were provisioned rather at a similar level with the level incurred in 2016.

Table of contents Part IV

Part IV:

- Balance sheet in the period of 2013 - 2016
- Local Public Debt Service

Balance sheet

for the period 2013 - 2016

'000 RON

Balance sheet	2013			2014			2015			2016		
Current assets	***238,201.5***		17.7%	***287,543.1***		19.4%	***313,769.4***		17.0%	***331,882.2***		10.1%
Cash and cash equivalent	24,362.7	10.2%	1.8%	32,025.1	11.1%	2.2%	31,744.7	10.1%	1.7%	60,891.8	18.3%	1.8%
Inventories	102,885.4	43.2%	7.6%	102,785.8	35.7%	6.9%	106,213.9	33.9%	5.8%	102,500.9	30.9%	3.1%
Receivables	110,953.5	46.6%	8.2%	152,732.3	53.1%	10.3%	175,810.9	56.0%	9.5%	168,489.5	50.8%	5.1%
Short term investments	-	-	-	-	-	-	-	-	-	-	-	-
Other current assets	-	-	-	-	-	-	-	-	-	-	-	-
Fixed assets	***1,111,373.3***		82.3%	***1,198,326.5***		80.6%	***1,529,431.7***		83.0%	***2,965,442.7***		89.9%
Intangible assets	8,680.9	0.8%	0.6%	8,735.9	0.7%	0.6%	8,770.3	0.6%	0.5%	3,022.2	0.1%	0.1%
Tangible assets	1,029,953.3	92.7%	76.3%	1,114,051.5	93.0%	75.0%	1,436,422.3	93.9%	77.9%	2,876,181.4	97.0%	87.2%
Other fixed assets	72,739.1	6.5%	5.4%	75,539.1	6.3%	5.1%	84,239.1	5.5%	4.6%	86,239.1	2.9%	2.6%
Total assets	1,349,574.8		**100.0%**	1,485,869.6		**100.0%**	1,843,201.1		**100.0%**	3,297,324.9		**100.0%**
Current liabilities	***57,505.7***		4.3%	***144,622.2***		9.7%	***194,868.7***		10.6%	***212,477.9***		6.4%
ST borrowings and CP of LT debt	-	-	-	-	-	-	-	-	-	-	-	-
Accounts payable	19,434.9	33.8%	1.4%	131,336.6	90.8%	8.8%	182,169.0	93.5%	9.9%	198,346.4	93.3%	6.0%
Short term provisions	8,945.8	-	-	-	0.0%	0.0%	-	0.0%	0.0%	-	-	-
Other short term debts	29,125.0	50.6%	2.2%	13,285.6	9.2%	0.9%	12,699.7	6.5%	0.7%	14,131.6	6.7%	0.4%
Long term debts	***218,553.9***		16.2%	***220,632.4***		14.8%	***233,353.0***		12.7%	***223,111.2***		6.8%
Long term loans	191,680.3	88%	14.2%	186,372.1	84%	12.5%	221,781.0	95%	12.0%	208,787.7	94%	6.3%
Other long term debts	-	-	-	-	-	-	-	-	-	-	-	-
Provisions	26,873.5	12%	2.0%	34,260.3	16%	2.3%	11,572.0	5%	0.6%	14,323.5	6%	0.4%
Equity and reserves	***1,073,515.2***		79.5%	***1,120,615.0***		75.4%	***1,414,979.4***		76.8%	***2,861,735.7***		86.8%
Total liabilities	1,349,574.8		**100.0%**	1,485,869.6		**100.0%**	1,843,201.1		**100.0%**	3,297,324.9		**100.0%**
Current liquidity ratic (Current assets / Current liabilities)	**4.14**			**1.99**			**1.61**			**1.56**		
Indebtedness leve (Borrowed capital /Total liabilities)	**14.2**			**12.5**			**12.0**			**6.3**		

• As of 31.12.2016, the total assets increased by RON 1,454,123.8 ths over the value recorded as of 31.12.2015 (+78.9%), having in view the increased value of the Fixed assets (by RON 1,439,759.1 ths, +100.2%) and of the Current assets (by RON 18,112.8 ths, +5.8%).

• The increase of the Current assets outstanding value was the result of higher Cash and cash equivalent position (by RON 29,147.1 ths, +91.8%) coupled with lower Receivables (by RON 7,321.3 ths, -4.2%) and Inventories (by RON 3,713 ths, -3.5%).

• As of 2016YE, the outstanding commercial debts increased by RON 16,177.4 ths as compared to the level recorded at 2015YE (+8.9%).

• The value of the long-term bank debt reduced by RON 12,993.3 ths (-5.9%), having in view the repayments and disbursements made for the analysed period, related to the ongoing credit facilities.

• The Capitals' value increased by RON 1,466,756.3 ths (+102.2%).

• At 31.12.2016, the current ratio posted a level of 1.56 versus 1.61 as of 31.12.2015, as a result of the increase of the Current assets (+5.8%) as well as of the Short term debts, yet at a higher pace, (+9%).

Local public debt service

at December 31st 2016

'000 RON

Debt and liquidity	31.12.2016
Total drawdowns from credit facilities in 2016	15,864.2
Direct debt service	34,901.0
Direct indebtedness rate	19.2%
Public debt service	37,580.2
Public indebtedness rate	20.7%
Public Debt Service as % of Operational Revenues	11.2%
Public Debt Service as % of Operational Expenditures	14.1%
Long term debt % Own Funds	7.3%
Long term debt / Own Revenues (1.x	1.1

	31.12.2016
Payout	
Payout 2Y - 2 ani	64,187
Payout 5Y - 5 ani	154,519
Payout 10Y - 10 ani	289,173
Payout 11Y - 11 ani	298,928
Total revenues per Capita	1,765.1 RON
Own revenues per Capita	984.0 RON
Public debt service per Capita	190.9 RON
Long term debt per Capita	1,060.5 RON

	2016 1)	2017 2)	2018 2)	2019 2)
Venituri Totale	347,508.9	350,984.0	354,493.9	358,038.8
Venituri Proprii 3)	193,740.3	195,677.7	197,634.4	199,610.8
Capacitatea de indatorare	54,573.2	54,783.2	54,783.2	54,783.2
Serviciul Datoriei Publice 4)	37,580.2	32,045.8	32,140.9	29,807.3

1) Revenues collected as of 31.12.2016;
2) Growth rate of 1% for Total revenues and Own revenues for the period;
3) As per maximum indebtedness level formula, namely: Own revenues - (Other voluntary transfers +revenues from the sale of goods from the private domain+ cash in of loan reinbursements);
4) TUD estimates for the period 2017 - 2028, based on the ongoing credit contracts provisions, money market conditions and legal regulations as of December 30th, 2016.

Indebtedness level forcasted for the period 2017-2028 4)

Note:
- The indebtedness level was forecasted considering the provisions of the ongoing credit contracts, the money market conditions as of December 30th, 2016 and the growth rate of own revenuesof 1% for the period 2017 -2028 .
- According to the GEO no. 46 on 05/23/2007, to complete art. 63 of the Law no. 273/2006 regarding the local public finances,"the loans contracted and/or guaranteed by the territorial-administrative units for providing the pre-financing and/or co-financing of the projects that benefit of the external non-reimbursable funds of pre and post-accession, from the European Union, are excepted from the paragraph (4) provisions" - respectively the framing in the maximum indebtedness limit
- The maximum indebtedness limit represents 30% of the arithmetic average of the own revenues for the last three years prior to current period (computed as per maximum indebtedness level formula).

Glossary of terms

The operating section	- The basic compulsory local budget section, which includes revenues needed to finance current spending in order to achieve competencies established by law, and the related running costs
The development section	- The complementary section of the local buget, including income and capital expenditures related to implementation of the local development policies
Own revenues*	- The average of the Own revenues collected in the last 3 years (Own revenues as stipulated in the art. 5, indent (1) a) Law no. 272/2006 regarding the local public finance, including subsequent amendments and additions, out of which are sustracted the Revenues from goods capitalization stipulated in the art. 29 part of the mentioned law)
Operational revenues	- The difference between Total revenues, Investment revenues and Financial Revenues OR - The Sum of Current Revenues (00.02) and Current Subsidies (00.20)
Operational Expenditures	- Sum of Staff Cost (10), Goods and services (20), excluding Commissions and other costs related to debts (20.24), Subsidies (40), Reserve funds (50), Transfers (51+55, without investments), Social Assistance (57), Other Expenditures (59), Previous years payments recovered during the current year (85.01) OR - The difference between Total Expenditures, Investment Expenditures and Financial Expenditures, excluding Surplus / Deficit
Investment revenues	- Sum of the Capital Revenues (00.15), Subsidies received from the State Budget (00.19), Sums received from EU for the made payments 2007 - 2013 (45.02), Sums received from EU for the made payments 2014 - 2020 (48.02), Payments from the fixed assets depreciation (36.02.07), Income from the repayment of amounts allocated for seismic risk (36.02.22), Thermal rehabilitation tax (36.02.23), Owners' Association's contribution for the thermal rehabilitation works (36.02.31), Amounts from the budgetary financing of the previous years, related to the development section (36.02.32.02)
Investment expenditures	- Sum of the Capital expenditures (70), of the Projects financed from post-accession non-reimbursable external funds 2007 - 2013 (56), of the Projects financed from post-accession non-reimbursable external funds 2014 - 2020 (58) and of the Capital transfers (51.02)
Financial expenditures	- Sum of Interests (30), Loans reimbursements (81) and Commissions and other costs for debts (20.24)
Total payments made	- Total expenditures incurred without considering the result of the period
Revenues from other taxes collected	- City taxes collected as follows: 07.02.03+07.02.50+12.02+15.02+16.02.03+16.02.50+18.02.50+33.02.24+34.02.02+34.02.50+36.02.06+ 36.02.23
Returned funds from previous years	- In accordance to the Ministry of Finance order no. 231646/06.09.2008 previous years payments returned during the current year are reported negatively for 85.01 and are not used for payments. These are invalidated by increasing the budgetary loans for each economic expenditure.
Revenues and expenditures ratios	- The ratios are presented on the budgetary execution, stipulated in the Emergency Ordinance no. 63 dated 30.06.2010, whose method of calculation is covered in the Methodology of 11/03/2010
The revenues / expenditures achievement degree from the initial / revised budget	- Collected revenues % of the initial/ revised budgetary provisions; - Incurred expenditures % of the initial / revised budgetary provisions.
The level of financing from the own revenues	- Own revenues % in Total revenues
The degree of self-financing	- (Own revenues- Quotas deducted from the income tax (04.02.01)) % Total collected revenues
The degree of dependency of the local budget to the state budget	- The total amounts received from the State Budget (Sums allocated from the quotas deducted from income tax to balance the local budgets 04.02.04 + Sums deducted from VAT 11.02 + Subsidies received from the State Budget 42.02) % in Total revenues
The degree of decisional autonomy	- (Own revenues + Sums deducted from VAT for balancing the local budget 11.02.06) % in Total revenues
The expenditures' rigidity	- Staff costs % in Total incurred expenditures
Maximum annual debt	- The maximum legal amount allowed for municipal indebtedness, equal to 30% of the average of the own revenues executed in the last 3 years. Represents the maximum of Public Debt Service, according to Government Decision 145/2008
Net direct debt	- Total of amounts representing interests, provisions and installments, according to contracted to be paid by The end of The year, by The municipality
Net public debt	- Total of amounts representing interests, provisions and installments, according to contracted and guaranteed to be paid by The end of The year, by The municipality
Direct/ Public indebtedness level	- Direct/Public Debt Service as % of Own revenues*
Net Direct/ Public indebtedness level	- Net public/direct debt as % of Own revenues*
Direct debt service	- Total amounts to be paid by the city hall as capital repyaments, interests and fees for ongoing credit contracts
Public debt service	- Current debt service+amounts related to the granted guarantees (interests, commissions and principal)
Payout n Y - n years	- Public debt service for the next "n" years, considering the provisions of the ongoing credit contracts and the money market conditions at the report date
Current financial debt	- Total drawdowns related to the credit facilities for the analised period
Per capita	- For a person that is resident of the municipality; Resident inhabitans

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TUD’s work on this report could not have been completed without the cooperation of the City Hall employees.

The financial documents that were used in preparing this report are: the financial documents of the years 2013, 2014, 2015 and 2016, the initial budget of 2016 approved through LCD no. 5 from 01.02.2016 and revised through LCD no. 358 from 19.12.2016, the initial budget for 2017 approved through LCD no 74 from 31.03.2017 , and the corresponding situations regarding the investments financed from the Local Budget.

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