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**FINANCIAL PROFILE  
OF EIGHT GENERAL  
PURPOSE LOCAL  
GOVERNMENTS  
IN ROMANIA**

**FINAL**

Prepared for



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## **Table of Contents**

### **INTRODUCTION**

#### **1 BIHOR**

Financial Profile of Bihor  
Financial Profile of Oradea

#### **2 CONSTANTA**

Financial Profile of Constanta Judet  
Financial Profile of Constanta Municipality

#### **3 DAMBOVITA**

Financial Profile of Dâmbovița  
Financial Profile of Targoviste

#### **4 MARAMURES**

Financial Profile of Maramures  
Financial Profile of Baia Mare

## INTRODUCTION

USAID and the EBRD have been cooperating with the Government of Romania in the early development of a work plan to assist in creating a Municipal Credit Facility (MCF) that would lend to general purpose local governments (*judets* and municipalities), as well as local service enterprises (*regii*) to finance investments in infrastructure. Part of this initial phase involves an analysis of the current financial condition of general purpose local governments in four urban regions to assess the credit worthiness of municipalities and judets, as potential borrowers from the MCF.

The following report covers four regions of Romania: Bihor, Constanța, Dâmbovița and Maramureș. In each of these judets, the team created a financial profile of the Judet Council and of the main municipality in each judet, that is, Oradea, Constanța, Târgoviște and Baia Mare. The eight sub-reports are organized by region and are identical in structure, reflecting a consistent methodology for evaluating each local government. Following each financial profile, there is an appendix of tables with detailed financial information calculated using a computer model which is being distributed to each participating local government. To complete the financial profile, there is an analysis of the operations of the *regii* that provide water, waste water, transport, solid waste and heating services in the jurisdiction.

A team consisting of two American and four Romanian municipal finance specialists visited these regions and contributed to this report. The entire team participated in the initial site visit to the judet of Dâmbovița in early December 1996. In the following weeks, the Romanian members of the team made additional site visits to obtain data from the other regions. In late January 1997, members of the team visited all four regions in the course of two weeks. After presenting the preliminary results to each local government individually, the team presented its findings in a workshop format to representatives from USAID and the EBRD on February 7.

Data gathering for the report involved several methods. The team collected income and expense data for each local government from Annexes 12 and 14 of their annual financial statements for 1993 to 1995. In many cases, the team was also able to obtain data for 1996. (For the judet of Maramureș, financial data for 1993 was unavailable because of a regular audit of the judet's accounting.) A team member also gathered detailed information on local taxes and fees collected in the municipality as well as decisions by the local councils in determining these tax rates. Another team member collected the financial reports of the various *regii* in the judet.

Financial data on each local government analyzed were entered into a computer model developed in Excel 5.0. (All of the governmental offices visited had access to Excel.) These forms include all revenues and expenditures by line item for any given year, including budget and actual information. As a first step, the model consolidates the data and calculates variables needed to analyze the jurisdiction's financial performance. For example, to calculate the net operating results the model must first classify revenues and expenditures as either operating or capital. The reaggregated financial data becomes the standard data set that the model uses in calculating key financial performance indicators. The indicators present the operating expenditures by chapter and other key variables in constant 1995 lei, for clearer interpretation of changes to the budget from year to year. Finally, the model calculates the trends in actual data and uses the results to prepare a projection of the revenues and expenditures of the local government to the year 2001.

Financial data on each regie providing basic infrastructure services in the judet was taken from its official income and expense statement and balance sheet for the period from 1994 to 1995. Results for 1996 were estimated, where possible, based on actual results year to date. The financial data of the regii also were entered into a computer model developed in Excel 5.0. As with the financial data on the local governments, the data for the regii was converted to constant 1995 lei to facilitate comparisons year to year. The model also prepared a net cash flow analysis for each regie. Finally, the model generated a projection of net income for 1997 and 1998.

Each financial profile includes the following:

**A. Financial Analysis of the Local Government that looks at:**

- Net overall results by year in current lei
- Net operating results by year in constant 1995 lei
- Trends in revenues in constant lei
- Trends in expenditures in constant lei
- Debt
- Projections to 2001 in constant lei based on trends and on a policy scenario developed jointly with the local government

**B.<sup>1</sup> Financial Analysis of each Regie attached to the Local Government that provides basic infrastructure services in the jurisdiction. It looks at:**

- Profit (loss) from operations and net profit (loss) overall in constant 1995 lei
- Trends in Accounts Receivable in constant 1995 lei
- Trends in Accounts Payable in constant 1995 lei
- Net cash flow actual to 1996 and projected to 1998 in constant 1995 lei

Appendix I - Definitions used in calculating the standard data set for each local government

Appendix II - Detailed financial information on the local government

Appendix III - Detailed financial information on each regie

Each financial profile has been prepared so that it can stand as a separate document. This was done to facilitate distribution of the document to each judet, municipality and regie that contributed information to the analysis. For the reader of this document, that means that the presentation of the material will be repetitive, as each of the financial profiles includes standard text describing the methodology used in the analysis.

This entire document, including all the tables, is available in English and in Romanian.

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<sup>1</sup> The financial profile of Oradea and Baia Mare includes a Section B describing the financial management practices of the local government. In those two profiles, the analysis of the regii is Section C.

**Financial Profile  
of the  
Judet of Bihor**

**For the period from  
1993 to 1995**

March 1997

**Prepared Under Contract  
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East European Regional Housing Sector Assistance Project  
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5

## Introduction

USAID and the EBRD have been cooperating with the Government of Romania in the early development of a work plan to assist in creating a Municipal Credit Facility (MCF) that would lend to general purpose local governments (*judets* and municipalities), as well as local service enterprises (*regii*) to finance investments in infrastructure. The initial phase of that work plan involves an assessment of the existing legal and policy framework as it affects the stability of intergovernmental transfers and the ability of local governments to manage their own finances and to borrow. It also includes an analysis of the current financial condition of general purpose local governments in four urban regions to assess the credit worthiness of municipalities and *judets*, as potential borrowers from the MCF.

This Financial Profile of the *Judet* of Bihor was prepared as part of a broader analysis of the financial condition and financial management capacity of a municipality and a *judet* in each of four urban regions in Romania (Bihor, Constanța, Dâmbovița and Maramureș), as well as that of the corresponding *regii* that provide water, waste water, transport, solid waste and heating services in those regions. The analysis will contribute to an understanding of the issues that might constrain the participation of municipalities in the MCF.

The first part of the analysis looks at the financial condition of the *Judet* of Bihor, based on the actual results for the period from 1993 to 1995. It also attempts to look at the future financial condition of Bihor through the year 2001, although such projections should be considered as illustrative given the current state of flux of laws and regulations governing local government finances in Romania. The final part of the analysis looks at the financial condition of the *regie* that provides local infrastructure services in Bihor.

## A FINANCIAL ANALYSIS

### Overall Results

The overall financial results of the *Judet* of Bihor for the period from 1993 to 1995, as shown in Table 1, are positive. There has been a small overall surplus in each year, which has declined as a percent of total revenues.

However, these results by themselves reveal little else about the finances of the *Judet* of Bihor. The following sections of this Financial Profile will attempt to provide greater insights into the financial condition of the *Judet*.

<b>Table 1</b>			
<b>Overall Results</b>			
<b>(Thousands of Lei)</b>			
	1993	1994	1995
Total Revenues	16,409,511	37,419,676	76,329,240
Total Expenditures	16,173,462	36,817,919	75,530,882
<b>Overall Surplus (Deficit)</b>	<b>236,049</b>	<b>601,757</b>	<b>798,358</b>

### Net Operating Results

This section of the analysis looks at net operating results. This is different than the overall surplus or deficit, shown above, which judets and municipalities currently calculate. That analysis looks at the difference between all revenues and all expenditures. Net operating results look only at the difference between non-investment (or operating) expenditures and non-capital (or operating) revenues.

The calculation uses the standard income and expense data reported by judets and municipalities in Annexes 12 and 14 of their quarterly and annual financial statements. These forms include all revenues and expenditures by line item for any given year, including budget and actual information. The calculation of the net operating results first requires identifying and classifying those expenditures related to the cost of administering the Judet or of providing local services. This includes as well any subsidies or transfers to other organizations, such as the *regii*, to pay for similar costs. These are the *operating expenditures* of the Judet. The second step is to isolate those revenues that are available on a continuing basis to pay for operating expenditures. These *operating revenues* include all local taxes and fees, shared national tax revenues and any operating subsidies provided by the state. They do not include non-fiscal revenues, such as the proceeds of loans or of the sale of assets, or those revenues provided by the state specifically to pay for investments. Appendix 1 explains the calculation of operating expenditures and revenues using the data available in Annexes 12 and 14 of the standard financial reports.

The net operating results of the Judet are determined by subtracting its total operating expenditures from its total operating revenues. This will produce

- A net operating surplus when recurring revenues are greater than operating expenditures
- A net operating deficit when operating expenditures are greater than recurring revenues

This is a significant result. Should the Judet want to enter into a loan or issue bonds, the operating surplus will be the amount available to pay the maturing principal and interest payments on the debt. It will largely determine the maximum amount the Judet *can* borrow. A Judet that has a current net operating deficit has no free operating revenues available for debt service. It should not consider entering into any new loans until it has taken steps to identify and address the causes of the problem.

The net operating results of the Judet of Bihor for the period from 1993 to 1995 also have been positive. There were moderate net operating surpluses in 1993 and 1994 and a large net operating surplus in 1995. The difference between net operating and overall results also shows that capital revenues played a significant role in the overall surplus recorded in 1993 and 1994.

An analysis of the net operating results in constant 1995 lei, as shown in Table 2, below, reveals that the net operating surplus grew fivefold in real terms between 1993 and 1995. This trend in net operating results is encouraging, showing that the judet has been able to maintain a positive balance between operating revenues and expenditures over three years.

	1993	1994	1995
Operating Revenues	26,132,792	35,199,111	60,795,862
Operating Expenditures	25,523,747	34,961,709	57,895,763
<b>Operating Surplus (Deficit)</b>	<b>609,045</b>	<b>237,402</b>	<b>2,900,099</b>

### Revenue Trends

This section of the analysis looks at how the revenues of the Judet of Bihor have changed over the period from 1993 to 1995. As shown in Table 3, below, revenues have increased at an average rate of nearly 50 percent per year in real terms since 1993. The increase is due largely to the rapid growth in shared national tax revenues and especially in local taxes and fees.

	1993	1994	1995
Local Taxes & Fees	5,696,814	8,881,795	23,888,491
Shared National Taxes	14,206,008	21,966,132	31,521,770
State Operating Subsidies	6,229,971	4,351,184	5,385,601
<b>Total Operating Revenues</b>	<b>26,132,793</b>	<b>35,199,111</b>	<b>60,795,862</b>
Own Capital Revenues	971,770	580,689	873,489
State Capital Subsidies	7,015,832	11,029,178	14,659,889
<b>Total Capital Revenues</b>	<b>7,987,602</b>	<b>11,609,867</b>	<b>15,533,378</b>
<b>Total Revenues</b>	<b>34,120,395</b>	<b>46,808,978</b>	<b>76,329,240</b>

During the same period, as shown in Table 4, below, the composition of the operating revenues of the Judet of Bihor, that is, those revenues that are most critical to an evaluation of the borrowing capacity of the Judet, has changed, with a growing reliance on local taxes and fees. Shared national taxes have remained fairly stable at slightly over 50 percent of total operating revenues. The relative importance of state operating subsidies has declined significantly. Overall, this is a positive trend.



	1993	1994	1995
Local Taxes & Fees	21 80%	25 23%	39 29%
Shared National Taxes	54 36%	62 41%	51 85%
State Operating Subsidies	23 84%	12 36%	8 86%

### Expenditure Trends

This section of the analysis looks at how the expenditures of the Judet of Bihor have evolved over the period from 1993 to 1995. As shown in Table 5, below, the volume of expenditures in constant 1995 lei has increased in all areas. In some cases, such as in Education and in Transportation and Communication, the increase reflects new expenditure responsibilities. In other cases, such as in Public Works and Housing, the increase responds to large new expenditures, in this case for the modernization for three bridges in 1995. Whatever the cause, the rapid growth of expenditures in real terms is a cause for concern, since revenues cannot be expected to continue to grow as rapidly over time.

Chapter	1993	1994	1995
General Administration	4 97	7 40	10 69
Education	0 00	0 00	16 53
Health	11 58	17 95	20 27
Culture and Art	1 96	2 74	4 37
Social Assistance	1 48	1 97	5 44
Public Works and Housing	13 21	12 19	20 20
Transportation and Communication	7 06	12 76	13 55
Other Economic Activities	0 00	0 00	0 00
Other Activities	0 08	0 17	0 32

**Debt**

The Judet of Bihor has borrowed only once. In 1995 the judet obtained a short term loan of 8,970 million lei which it repaid in the same year.

The Judet is not currently contemplating any future loans.

**Projections**

Table 6 shows the future net operating results for the Judet of Bihor as projected to the year 2001, based on current revenue and expenditure trends. That table shows that the Judet will have a large surplus until 2001, but it will decrease at the end of the period. This surplus can be considered optimistic because future revenues cannot be expected to continue to grow at such a fast pace in real terms. Further, expenditures will vary unpredictably as prices of key cost components are adjusted to reflect market conditions.

**Table 6  
Projections - Current Trends**

**Bihor**

**Actual and Projected Cash Flow**

<b>Current Trends - Constant 1995 Lei</b>	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>
<b>Recurring Revenues Total</b>	25 393 154	35 087 346	58 367 548	72 590,410	89 077 606	105 564 803	122 052 000	138 539 197	155 026 394
Of which									
<i>Local Taxes and Fees</i>	4 957 176	8 770 030	21 460 177	28 232 129	36,483 629	44 735 130	52 986 631	61 238 131	69 489 632
<i>Shared National Tax Revenues</i>	14 206 008	21 966 132	31 521 770	39 880 399	48 538 280	57 196 161	65 854 042	74 511 923	83 169 804
<i>State Operating Subsidies</i>	6 229 971	4 351 184	5 385 601	4 477 882	4 055 697	3 633 512	3 211 327	2 789 142	2 366 957
<b>Operating Expenditures Total</b>	25 523 747	34 961 709	57 895 763	71 832 233	88 018 170	104 204 107	120 390 043	136 575 980	152 761 917
Of which									
<i>General Administration</i>	3 147 907	4 690 378	6 772 916	8 495 409	10 307,914	12 120 418	13 932 922	15 745 427	17 557 931
<i>Education</i>	0	0	10 472 190	13 962 920	19 199 015	24 435 110	29 671 205	34 907 300	40 143 395
<i>Health</i>	7 337 023	11 376 580	12 846 603	16 029 649	18 784 439	21,539 229	24 294 020	27 048 810	29 803 600
<i>Culture &amp; Sports</i>	1 240 919	1,737 413	2,771 015	3 446 545	4 211 592	4 976 640	5,741 688	6 506 736	7 271 784
<i>Social Assistance</i>	935 779	1 246 812	3 445 710	4 386 031	5 640 997	6 895 962	8 150 927	9 405 893	10 660 858
<i>Public Works &amp; Housing</i>	8 367 215	7 721 892	12 796 298	14 057 552	16 272 093	18 486 635	20 701 177	22 915 718	25 130 260
<i>Transportation &amp; Communication</i>	4 446 095	8 082 809	8 588 026	11 180 908	13 251 874	15 322 839	17 393 805	19 464 770	21 535 736
<i>Other Economic Activities</i>	0	0	0	0	0	0	0	0	0
<i>Other Activities</i>	48 810	105 826	202 863	273 220	350 246	427 273	504 300	581 326	658 353
<i>Interest Payments</i>	0	0	142	0	0	0	0	0	0
	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>
<b>Recurring Surplus (Deficit)</b>	(130 593)	125 636	471 785	758 177	1 059 437	1 360 697	1 661 957	1 963 216	2 264 476
<b>Non-recurring Operating Revenues Total</b>	739 638	1 111 765	2 428 314	3 115 248	3 959 586	4 803 924	5 648 262	6 492 600	7 336 938
Of which									
<i>Non recurring Local Operating Revenues</i>	739 638	1 111 765	2 428 314	3 115 248	3 959 586	4 803 924	5 648 262	6 492 600	7 336 938
<b>Net Operating Surplus (Deficit)</b>	609 045	1 237 402	2 900 099	3 873 425	5 019 023	6 164 621	7 310 218	8 455 816	9 601 414

## B PROVISION OF INFRASTRUCTURE SERVICES

### Organizations Responsible for Local Services

For the Judet of Bihor there is one regie that provides for the judet roads. We have studied the financial history of this regie, "RA Judeteana de drumuri si poduri," (RAJDP) since 1994.

### Net Profit (Loss)

The net income of RAJDP, as shown in Table 7, below, has increased steadily from 235 million lei in 1994 to over 1 billion lei in 1996. The operating profit margin is at 12 percent, which shows that the regie is capable of performing the core activity. Coupled with an equally excellent gross profit margin, this makes the company a good candidate for external financing. The gross profit margin may actually be higher because most of its fixed assets are old and fully depreciated, which should lower the overhead.

Although the operating results provide important information about the finances of RAJDP, they may not provide a complete understanding of the overall financial condition of the regie. The following analysis will attempt to provide additional insights.

	1994	1995	1996 (E)	1997 (P)
Operating Revenues	2,212,604	10,607,981	9,075,421	9,841,701
Operating Costs	1,896,473	9,290,785	7,930,814	8,375,434
Operating Profit (Loss)	316,131	1,317,196	1,144,607	1,466,267
Operating Profit (Loss) Margin	14.3%	12.4%	12.6%	14.9%
Other Revenues	1,467	55,594	31,259	37,654
Other Costs	5,186	4,077	38,550	18,356
Gross Profit (Loss)	312,412	1,368,713	1,137,316	1,485,565
Profit/Payroll Taxes Paid	76,347	727,059	110,617	475,381
<b>Net Profit (Loss)</b>	<b>236,065</b>	<b>641,654</b>	<b>1,026,699</b>	<b>1,010,184</b>

### Net Cash Flow Analysis

The Income Statement and the Balance Sheet of a local regie or commercial company that provides essential infrastructure services to a community present valuable information both to the managers and to the Local Councils and other interested parties such as investors and creditors. Yet, it is important to look beyond the results reported in the Income Statement and Balance Sheet at other results that can be calculated using the information available in those statements.

Under the present conditions in the Romanian economy, it is not unusual to find commercial companies, including many local regii, with high levels of both accounts receivable and accounts

payable. A growing inability to collect payments owed by clients for services provided, reflected in the increase in accounts receivable, poses a potential threat to the liquidity of many companies, including some of the regii. By and large, companies have tried to offset the loss of cash implicit in the increase in accounts receivable by a corresponding increase in accounts payable. The situation often is described as one of "financial blockage" - no-one pays anyone else. This involves serious risks. It is not sustainable over time. What might happen, for example, if a large creditor (such as RENEL) demands payment of accumulated bills? In the absence of a compensating reduction in receivables (an increase in the collection from its debtors), the commercial company or regie would face a serious cash problem that might impair its ability to continue to operate normally.

The existing situation of "financial blockage" distorts the picture of the financial condition of a company or regie, as shown in its financial statements. Assets, as shown by accounts receivable in the balance sheet, may not be what they seem. It is likely that in the future not all receivables will be recovered. Consequently, companies should be making provisions for losses from bad debts. Conversely, liabilities, as shown by accounts payable, may also be inaccurate. As companies begin to face the obligation to repay accumulated arrears, there is a potential for late payment fees or penalties. Therefore, companies (including regii) which have a high volume of accounts payable should start introducing provisions for losses on penalties and litigation.

The most immediate problem, however, is whether the company is generating sufficient cash to ensure its continued operations. In answering this question, it is necessary to look beyond the operating results as reported in the Income Statement to the Net Cash Flow of the company. By projecting, for the near future, the level of cash that flows through the company, the management can predict the company's cash position at every instant in time, assess liquidity risks, and prevent unpleasant moments of illiquidity. In the case of the regie, liquidity is also a concern for the judet which has an obligation to provide a reasonable level of infrastructure services to the local community. Barring any force majeure and using good sense in estimating the risks, the trend in the ending cash position can show well in advance when a liquidity problem might arise.

#### *How We Arrive at Net Cash Flow*

The purpose of the Net Cash Flow analysis is to identify the sources and uses of cash during the accounting period. To do this, the analysis divides the operations of a company or regie into three main activity groups that cause assets to change: operations, investments and financing. Beginning with net income calculated on an accrual basis the analysis makes a series of adjustments intended to transform net income into cash flow. The adjustments are of three types:

- Expenses not involving cash outflows are added back, e.g. depreciation, deferred taxes, increase in accounts payable and in accrued interest payable,
- Cash outflows not treated as expenses are subtracted, e.g. increase in inventory, dividends,
- Revenues not involving cash inflows are subtracted as well, e.g. increase in accounts receivable and in accrued interest earned, and gain on sale of property<sup>1</sup>

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<sup>1</sup> Whatever cash is generated by the sale of property will appear on the cash flow statement as proceeds from the sale of property under the heading "cash flow from investments". The gain (or loss) on the sale is the difference between the property's selling price and its balance sheet value.

The first activity covered in the analysis are the income and expenses related to the *operations* of the company or regie. Most expenses involve a corresponding outflow of cash. Depreciation, amortization and provisions, however, although deducted as expenses do not require the use of cash. Since they are a non-cash reduction in net income, they are added back to adjust the cash flow from operations. The same is true for the increase in accounts payable (the difference is deducted from net income but not yet paid) and the decrease in accounts receivable (similarly, this is an increase in sales for which the regie has not been paid). In addition, the increase in inventory is deducted to reflect the cash used to produce the additional inventory. This part of the analysis looks at the trends in accounts payable and accounts receivable, as well as net cash generated from operations.

The final two parts of the analysis then look at the impact on net cash flow of *investment and financing activities*. The first involves changes in a firm's long-term investments in property, plant and equipment. These activities are not reflected in the income statement but represent a use (or a source of) cash.<sup>2</sup> *Financing activities* include cash raised from debt (inflows) and cash outflows for the dividends paid.<sup>3</sup>

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when sold. Because this gain is already part of the line +/- (purchase)/sale of property, plant or equipment, showing it also as part of operating activities would amount to double-counting.

<sup>2</sup> Because of little information on the changes in property, plant and equipment, we assumed that all changes come from revaluation of the assets. This is a change that does not affect either the cash flow or net income.

<sup>3</sup> In the particular case of Romania and the regii, we have also observed the use of unearned revenues as a way to bridge-finance the shortfall of cash at the end of the year. Similarly, this is sometimes compensated by an increase in prepaid expenses. Both are a masked form of short-term financing.

**Table 8**  
**Net Cash Flow Analysis**  
**Constant 1995 Lei**

RAJDP Bihor	1994	1995	1996	1997	1998
Net Income	235,518	979,849	1,026,700	1,010,184	1,040,254
<i>Cash Flow from Operations</i>					
<b>Adjust Net Income to net cash provided by operating activities</b>					
Add back DEPRECIATION, AMORTIZATION, PROVISIONS	38,148	418,463	319,264	133,499	118,002
<b>Adjust for change in assets and liabilities</b>					
Add back increase in A/P and any other payable (including accrued liabilities and penalties)	(2,776,428)	714,889	297,166	236,924	317,973
Subtract increase in A/R and any other accrued receivable	3,230,894	(595,762)	(946,017)	(564,248)	(775,841)
Subtract increase in any of the INVENTORY	63,753	(337,119)	(92 198)	(132,940)	(182,793)
<b>Net Cash Flow from Operations</b>	791,886	1,180,320	604,915	683,417	517,595
<i>Cash Flow from Investments</i>					
-/+ (Purchase) / sales of PROPERTY, PLANT AND EQUIPMENT					
-/+ (Purchase) / sale of other INVESTMENTS					
<b>Net Cash Flow from Investments</b>	0	0	0	0	0
<i>Cash Flow from Financing</i>					
Subtract increase in PREPAID EXPENSES	740,729	(5,849)	6,936	0	0
Add increase in UNEARNED REVENUES	0	0	0	0	0
Add increase in CREDITS & LOANS	0	0	113 697	(61,091)	0
Subtract DIVIDENDS paid to the owner	333,117	(489,924)	(513,350)	(505,092)	(520 127)
<b>Net Cash Flow from Financing</b>	1,073,847	(495,773)	(392,717)	(566,183)	(520,127)
<b>Net Cash Flow for the Period</b>	1 865,733	684,547	212,198	117,235	(2,532)
<b>BEGINING Cash</b>	256,090	134,748	819,295	1,031,493	1,148,727
<b>ENDING Cash</b>	134,748	819,295	1,031,493	1,148,727	1,146,195

**Net Cash Flow Actual to Date***Trends in Accounts Receivable*

The receivables of RAJDP have steadily increased, by about a half billion lei per year

*Trends in Accounts Payable*

Because of the increase in accounts receivable, the working capital has been largely financed through a corresponding increase in accounts payable. A good sign, though, is that the RAJDP attempted to reverse this trend in 1996

*Net Cash Flow*

The net cash flow is steadily declining, mainly because the regie is trying to diminish its dependence on accounts payable to finance its working capital. A positive external factor is that the surcharge on gasoline increased from 5 percent to 25 percent. The allocation of revenues to the regiu from this increase is expected to be performed in a clear transparent method (i.e., based on the length of all judet roads). Liquidity is good with a the current ratio of over 300 percent. The regie also has reasonably good leverage with debt-to-asset ratios ranging from 20 - 30 percent

In considering the regie's sensitivity to external factors, the greatest concern is the relative increase in raw materials. Raw materials account for 40 percent or more of total costs. The second greatest concern is the cost of labor, which is a quarter of total cost, but this is not expected to increase in the coming year

**Impact on Finances of the Judet**

Table 9, below, shows the flow of funds between the Judet and RAJDP Bihor. As indicated by the figures in the table, there was a net flow from the regie to the Judet in all years. This is because the regie shows a net profit and does not receive any subsidy from the Judet. The overall impact, however, is small

	1994	1995	1996
From the Judet to RAJDP	0	0	0
State Subsidies	0	0	0
Other	0	0	0
From RAJDP to the Judet	374,763	2,929,395	1,450,347
Income and Sales Tax Revenues	257,004	2,439,471	936,997
Distribution of Profits	117,759	489,924	513,350
<b>Net To (From) Municipality</b>	<b>374,763</b>	<b>2,929,395</b>	<b>1,450,347</b>
Net as Percent of Revenues (Expenditures)	0.7%	3.8%	n/a



## APPENDIX I - DEFINITIONS

<b>1996 Code</b>	<b>Category/Sub Category</b>
	<b>Recurring Revenues</b>
	of which
	Local Taxes and Fees
	Shared National Salary Tax Revenues
	State Operating Subsidies
	<b>Local Taxes and Fees</b>
	of which
01 02	Taxes on Profits of Regii
03 02	Taxes and Fees on Individuals
04 02	Fees for Use of State Property
05 02	Corporate Property Tax
06 02	Corporate Vehicle Fees
07 02	Tax on Revenues from Agriculture
08 02	Other Direct Taxes
17 02	Other Indirect Taxes
	<b>Shared National Tax Revenues</b>
	of which
34 02	Shared National Salary Tax Revenues
	<b>State Operating Subsidies</b>
	of which
37 02 01	Subsidies for Social Assistance, Heating & Public Transport
	<b>Non-Recurring Revenues</b>
	of which
	Non-Recurring Local Operating Revenues
	Local Capital Revenues
	Other Capital Revenues
	<b>Non-Recurring Local Operating Revenues</b>
	of which
15 02	Entertainment Fees
20 02	Distribution from Profits of Regii
21 02	Revenues from Public Institutions
22 02	Other Various Revenues
40 02	Donations
	<b>Local Capital Revenues</b>
	of which
30 02	Proceeds from the Sale of Public Property & Housing
45 02	Proceeds of Short-term Loans
	<b>Other Capital Revenues</b>
	of which
37 02 02	State Capital Investment Subsidies
37 02 03	Capital Investment Subsidies from External Loans
46 02	Proceeds of Loans from Revolving Funds

**Appendix II**

**Detailed Financial Information on the  
Judet of Bihor**

**Standard Data Set**

<b>Bihar</b>				
<b>Line Revenues - Actual at Year End</b>	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>
<b>0 Total Revenues</b>	16,409 511	37 419 676	76,329 240	0
Change in Total Revenues (current year/previous year)		2 28	2 04	0 00
<b>1 Local Taxes and Fees Recurring</b>	2 384,053	6 862 308	21 460 177	0
<b>2 Non Recurring Local Operating Revenues</b>	355 714	869 926	2,428 314	0
<b>3 Local Capital Revenues</b>	467 353	454 373	873,489	0
<b>4 Of which Proceeds from the sale of public property</b>	11 806	79,194	145 945	0
<b>5 Shared National Tax Revenues</b>	6 832,091	17 187 897	31 521,770	0
<b>6 State Operating Subsidies</b>	2 996 178	3 404,682	5 385 601	0
<b>7 Other Capital Revenues</b>	3 374,122	8 630 030	14 659 889	0
<b>8 Total Recurring Revenues (Line 1+5+6)</b>	12 212 322	27 454 887	58 367 548	0
Change in Recurring Revenues (current year/previous year)		2 25	2 13	0 00
<b>9 Total Non Recurring Revenues (Line 2+3+7)</b>	4 197 189	9 954 329	17 961 692	0
	16 409 511	37 409,216	76 329 240	0
<b>10 Verify Line 0 = Sum (Line 8+9)</b>	OK	Error	OK	OK
<b>Revenues - Initial Approved Budget</b>				
<b>11 Total Revenue Budget</b>	16 277 902	37 894 519	78 743 212	0
<b>12 Local Revenues and Fees</b>	2 270 377	6 618 761	22 945 293	0
<b>13 Shared National Tax Revenues</b>	6 836 780	17 229 000	31 653 800	0
<b>14 State Operating Subsidies</b>	3 033,700	3 973 000	5 480 900	0
<b>15 Recurring Revenue Budget (Line 12+13+14)</b>	12,140 857	27 820 761	60 079 993	0

**Standard Data Set**

<b>Bihar</b>				
<b>Expenditures - Actual at Year End</b>	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>
16 Administrative Expenses General Administration	1 513 922	3 670 092	6,772,916	0
17 Subsidies and Transfers General Administration	0	0	0	0
18 Capital Expenditures General Administration	83 939	299 081	715 028	0
19 Administrative Expenses Education	0	0	10 472 190	0
20 Subsidies and Transfers Education	0	0	0	0
21 Capital Expenditures Education	0	0	0	0
22 Administrative Expenses Health	3 528 592	8 901 862	12 846 603	0
23 Subsidies and Transfers Health	0	0	0	0
24 Capital Expenditures Health	0	0	0	0
25 Administrative Expenses Culture & Sports	173,956	260 681	758 359	0
26 Subsidies and Transfers Culture & Sports	422 839	1 098,797	2 012,656	0
27 Capital Expenditures Culture & Sports	42,538	42 674	868 647	0
28 Administrative Expenses Social Assistance	450 044	975 596	1 525 284	0
29 Subsidies and Transfers Social Assistance	0	0	1 920 426	0
30 Capital Expenditures Social Assistance	70 080	256 669	406 641	0
31 Administrative Expenses Public Works & Housing	1 696 136	5 112 877	9 757 785	0
32 Subsidies and Transfers Public Works & Housing	2 327 906	929,292	3 038 513	0
33 Capital Expenditures Public Works & Housing	3 174 947	7,929 523	12 369 368	0
34 Administrative Expenses Transportation & Communication	1,271 861	3 849 187	686 361	0
35 Subsidies and Transfers Transportation & Communication	866 398	2 475 390	7 901 665	0
36 Capital Expenditures Transportation & Communication	521 290	925 519	3 182 173	0
37 Administrative Expenses Other Economic Activities	0	0	0	0
38 Subsidies and Transfers Other Economic Activities	0	0	0	0
39 Capital Expenditures Other Economic Activities	0	0	0	0
40 Administrative Expenses Other Activities	23 474	82 806	202 863	0
41 Subsidies and Transfers Other Activities	0	0	0	0
42 Capital Expenditures Other Activities	5 540	7 873	84 292	0
<b>Operating Expenditures by Chapter</b>				
43 General Administration Oper Exp (Line 16+17)	1 513 922	3 670 092	6 772 916	0
44 Education Oper Exp (Line 19+20)	0	0	10 472 190	0
45 Health Oper Exp (Line 22+23)	3 528 592	8 901 862	12 846 603	0
46 Culture & Sports Oper Exp (Line 25+26)	596,795	1 359 478	2 771 015	0
47 Social Assistance Oper Exp (Line 28+29)	450 044	975 596	3 445 710	0
48 Public Works & Housing Oper Exp (Line 31+32)	4 024 042	6 042 169	12 796 298	0
49 Transportation & Communication Oper Exp (Line 34+35)	2 138 259	6 324 577	8 588 026	0
50 Other Economic Activities Oper Exp (Line 37+38)	0	0	0	0
51 Other Activities Oper Exp (Line 40+41)	23 474	82 806	202 863	0

**Standard Data Set**

**Bihar**

<b>Expenditures - Actual at Year End</b>	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>
52 Total Operating Expenditures (Line 53+54+55)	12 275 128	27 356 580	57 895 763	0
Of which Change in Operating Expenditures (current year/previous year)		2 23	2 12	0 00
53 Total Administrative Expenses (Line 16+19+22+25+28+31+34+37+40)	8 657 985	22 853 101	43 022 361	0
54 Total Subsidies & Transfers (Line 17+20+23+26+29+32+35+38+41)	3,617 143	4 503 479	14 873 260	0
55 Interest Payments	0	0	142	0
 56 Total Capital Expenditures (Line 18+21+24+27+30+33+36+39+42)	 3 898 334	 9 461 339	 17 626 149	 0
57 Other Payments (Line 58+59+60)	0	0	8 970	0
Of which				
58 Principal Repayments	0	0	8 970	0
59 Set Aside for Reserves	0	0	0	0
60 Distribution of Surplus	0	0	0	0
 61 Total Annual Debt Service (Principal+Interest Payments)	 0	 0	 9 112	 0
 62 Total Expenditures	 16 173 462	 36 817 919	 75 530 882	 0
	16 173 462	36 817 919	75 530 882	0
63 Verify Line 62 = Sum (Line 52+56+57)	OK	OK	OK	OK
 <b>Expenditures - Initial Approved Budget</b>	 <b>1993</b>	 <b>1994</b>	 <b>1995</b>	 <b>1996</b>
64 Operating Expenditure Budget	12 364 895	28 371 799	60 386 542	0
65 Capital Expenditure Budget	3 911 977	9 517 720	18 335 894	0
 <b>Other Non Financial Data</b>				
66 Total Local Government Employees (Municipal or Judet)	0	0	0	165
67 Total Population (Municipality or Judet)	633 629	633 629	633 629	633 629
68 Year to Year Inflation	296 0%	62 7%	27 8%	56 9%
69 Deflator (Base Year = 1995)	2 08	1 28	1 00	0 64

21

## Indicators

<b>Bihor</b>					
<b>Financial Performance Indicators</b>		<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>
<i>Key Revenue Indicators</i>					
1	<i>Recurring Revenues/Total Revenues</i>	0 74	0 73	0 76	#DIV/0!
2	<i>Shared National Tax Revenues/Recurring Revenues</i>	0 56	0 63	0 54	#DIV/0!
3	<i>State Operating Subsidies/Recurring Revenues</i>	0 25	0 12	0 09	#DIV/0!
4	<i>Local Taxes &amp; Fees/Recurring Revenues</i>	0 20	0 25	0 37	#DIV/0!
5	<i>Proceeds from Asset Sales/Total Revenues</i>	0 00	0 00	0 00	#DIV/0!
<i>Key Expenditure Indicators</i>					
6	<i>Total Expenditures Per Capita (1000 lei)</i>	25 53	58 11	119 20	0 00
7	<i>Operating Expenditures Per Capita (1000 lei)</i>	19 37	43 17	91 37	0 00
8	<i>Operating Expenditures/Total Expenditures</i>	0 76	0 74	0 77	#DIV/0!
9	<i>Capital Expenditures/Total Expenditures</i>	0 24	0 26	0 23	#DIV/0!
<i>Key Indicators of Net Results</i>					
10	<i>Total Expenditures/Total Revenues</i>	0 99	0 98	0 99	#DIV/0!
11	<i>Operating Expenditures/Recurring Revenues</i>	1 01	1 00	0 99	#DIV/0!
12	<i>Recurring Surplus/Shared National Tax Revenues</i>	-0 01	0 01	0 01	#DIV/0!
13	<i>Recurring Surplus/Local Taxes &amp; Fees</i>	-0 03	0 01	0 02	#DIV/0!
<i>Key Actual to Budget Performance Indicators</i>					
14	<i>Actual Revenues/Initial Revenue Budget</i>	1 01	0 99	0 97	#DIV/0!
15	<i>Actual Recurring Revenues/Initial Recurring Revenue Budget</i>	1 01	0 99	0 97	#DIV/0!
16	<i>Actual Local Taxes and Fees/Local Taxes and Fees Budget</i>	1 05	1 04	0 94	#DIV/0!
17	<i>Actual Shared National Tax Revenues/National Tax Budget</i>	1 00	1 00	1 00	#DIV/0!
18	<i>Actual Expenditures/Initial Expenditure Budget</i>	0 99	0 97	0 96	#DIV/0!
19	<i>Actual Operating Expenditures/Initial Operating Expenditure Budget</i>	0 99	0 96	0 96	#DIV/0!
20	<i>Actual Capital Expenditures/Initial Capital Expenditure Budget</i>	1 00	0 99	0 96	#DIV/0!

## Indicators

### Bihar

<i>Key Relative Performance Indicators</i>	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>
<b>21</b> <i>Change in Recurring Revenues /Change in Total Revenues</i>	n/a	0 99	1 04	#DIV/0!
<b>22</b> <i>Change in Operating Expenditures/Change in Recurring Revenues</i>	n/a	0 99	1 00	#DIV/0!
 <i>Key Debt Service Indicators</i>				
<b>23</b> - <i>Total Annual Debt Service/Recurring Revenues</i>	0 00	0 00	0 00	#DIV/0!
<b>24</b> <i>Interest Payments/Recurring Revenues</i>	0 00	0 00	0 00	#DIV/0!
<b>25</b> <i>Total Annual Debt Service/Recurring Surplus before Interest Payments</i>	0 00	0 00	0 02	#DIV/0!
<b>26</b> <i>Max Future Debt Service/Recurring Surplus before Interest Payments</i>	-247 32	158 01	0 00	#DIV/0!
 <i>Operating Expenditure Indicators by Chapter (1000 lei)</i>				
<b>27</b> - <i>General Administration Expenditures/Per Capita</i>	2 39	5 79	10 69	0 00
<b>28</b> - <i>Education Expenditures/Per Capita</i>	0 00	0 00	16 53	0 00
<b>29</b> <i>Health Expenditures/Per Capita</i>	5 57	14 05	20 27	0 00
<b>30</b> <i>Culture &amp; Sports Expenditures/Per Capita</i>	0 94	2 15	4 37	0 00
<b>31</b> <i>Social Assistance Expenditures/Per Capita</i>	0 71	1 54	5 44	0 00
<b>32</b> - <i>Public Works &amp; Housing Expenditures/Per Capita</i>	6 35	9 54	20 20	0 00
<b>33</b> <i>Transportation Expenditures/Per Capita</i>	3 37	9 98	13 55	0 00
<b>34</b> <i>Other Economic Expenditures/Per Capita</i>	0 00	0 00	0 00	0 00
<b>35</b> <i>Other Expenditures/Per Capita</i>	0 04	0 13	0 32	0 00
 <i>Operating Expenditure Indicators by Chapter (Constant 1995, 1000 Lei)</i>				
<b>36</b> <i>General Administration Expenditures/Per Capita</i>	4 97	7 40	10 69	0 00
<b>37</b> <i>Education Expenditures/Per Capita</i>	0 00	0 00	16 53	0 00
<b>38</b> <i>Health Expenditures/Per Capita</i>	11 58	17 95	20 27	0 00
<b>39</b> <i>Culture &amp; Sports Expenditures/Per Capita</i>	1 96	2 74	4 37	0 00
<b>40</b> <i>Social Assistance Expenditures/Per Capita</i>	1 48	1 97	5 44	0 00
<b>41</b> <i>Public Works &amp; Housing Expenditures/Per Capita</i>	13 21	12 19	20 20	0 00
<b>42</b> <i>Transportation Expenditures/Per Capita</i>	7 02	12 76	13 55	0 00
<b>43</b> <i>Other Economic Expenditures/Per Capita</i>	0 00	0 00	0 00	0 00
<b>44</b> <i>Other Expenditures/Per Capita</i>	0 08	0 17	0 32	0 00

## Indicators

### Bihar

<b>Actual Net Operating Results</b>	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>
<b>Recurring Revenues Total</b>	12,212,322	27,454,887	58,367,548	0
Of which				
<i>Local Taxes and Fees</i>	2,384,053	6,862,308	21,460,177	0
- <i>Shared National Tax Revenues</i>	6,832,091	17,187,897	31,521,770	0
- <i>State Operating Subsidies</i>	2,996,178	3,404,682	5,385,601	0
<b>Operating Expenditures Total</b>	12,275,128	27,356,580	57,895,763	0
Of which				
- <i>General Administration</i>	1,513,922	3,670,092	6,772,916	0
- <i>Education</i>	0	0	10,472,190	0
- <i>Health</i>	3,528,592	8,901,862	12,846,603	0
- <i>Culture &amp; Sports</i>	596,795	1,359,478	2,771,015	0
- <i>Social Assistance</i>	450,044	975,596	3,445,710	0
- <i>Public Works &amp; Housing</i>	4,024,042	6,042,169	12,796,298	0
- <i>Transportation &amp; Communication</i>	2,138,259	6,324,577	8,588,026	0
- <i>Other Economic Activities</i>	0	0	0	0
- <i>Other Activities</i>	23,474	82,806	202,863	0
<i>Interest Payments</i>	0	0	142	0
<b>Recurring Surplus (Deficit)</b>	(62,806)	98,307	471,785	0
<b>Non-recurring Operating Revenues Total</b>	355,714	869,926	2,428,314	0
Of which				
- <i>Non recurring Local Operating Revenues</i>	355,714	869,926	2,428,314	0
<b>Net Operating Surplus (Deficit)</b>	292,908	968,233	2,900,099	0



## Indicators

### Bihar

	1993	1994	1995	1996
<b>Capital Revenues Total</b>	3,841,475	9,084,403	15,533,378	0
Of which				
- Local Capital Revenues	467,353	454,373	873,489	0
State Capital Subsidies	3,374,122	8,630,030	14,659,889	0
<b>Total Funds Available for Investments</b>	4,134,383	10,052,636	18,433,477	0
<b>Capital Expenditures Total by Chapter</b>	3,898,334	9,461,339	17,626,149	0
<i>General Administration</i>	83,939	299,081	715,028	0
<i>Education</i>	0	0	0	0
- <i>Health</i>	0	0	0	0
<i>Culture &amp; Sports</i>	42,538	42,674	868,647	0
- <i>Social Assistance</i>	70,080	256,669	406,641	0
<i>Public Works &amp; Housing</i>	3,174,947	7,929,523	12,369,368	0
<i>Transportation &amp; Communication</i>	521,290	925,519	3,182,173	0
<i>Other Economic Activities</i>	0	0	0	0
- <i>Other Activities</i>	5,540	7,873	84,292	0
<b>Overall Surplus (Deficit)</b>	236,049	591,297	807,328	0
<b>Minus Other Payments Total</b>	0	0	8,970	0
Of which				
<i>Principal Repayments</i>	0	0	8,970	0
<i>Set Aside for Reserves</i>	0	0	0	0
<i>Distribution of Surplus</i>	0	0	0	0
Verify Overall Surplus (Deficit) minus Other Payments = 0	Error	Error	Error	OK

## Indicators

### Bihar

#### Actual Net Operating Results - Constant 1995 lei

	1993	1994	1995	1996
<b>Recurring Revenues Total</b>	25,393,154	35,087,346	58,367,548	0
Of which				
<i>Local Taxes and Fees</i>	4,957,176	8,770,030	21,460,177	0
<i>Shared National Tax Revenues</i>	14,206,008	21,966,132	31,521,770	0
<i>State Operating Subsidies</i>	6,229,971	4,351,184	5,385,601	0
<b>Operating Expenditures Total</b>	25,523,747	34,961,709	57,895,763	0
Of which				
- <i>General Administration</i>	3,147,907	4,690,378	6,772,916	0
- <i>Education</i>	0	0	10,472,190	0
- <i>Health</i>	7,337,023	11,376,580	12,846,603	0
- <i>Culture &amp; Sports</i>	1,240,919	1,737,413	2,771,015	0
- <i>Social Assistance</i>	935,779	1,246,812	3,445,710	0
- <i>Public Works &amp; Housing</i>	8,367,215	7,721,892	12,796,298	0
<i>Transportation &amp; Communication</i>	4,446,095	8,082,809	8,588,026	0
<i>Other Economic Activities</i>	0	0	0	0
<i>Other Activities</i>	48,810	105,826	202,863	0
<i>Interest Payments</i>	0	0	142	0
<b>Recurring Surplus (Deficit)</b>	(130,593)	125,636	471,785	0
<b>Non recurring Operating Revenues Total</b>	739,638	1,111,765	2,428,314	0
Of which				
<i>Non recurring Local Operating Revenues</i>	739,638	1,111,765	2,428,314	0
<b>Net Operating Surplus (Deficit)</b>	609,045	1,237,402	2,900,099	0

## Indicators

### Bihar

	1993	1994	1995	1996
<b>Capital Revenues Total</b>	7,987,602	11,609,867	15,533,378	0
Of which				
- Local Capital Revenues	971,770	580,689	873,489	0
- State Capital Subsidies	7,015,832	11,029,178	14,659,889	0
<b>Total Funds Available for Investments</b>	8,596,647	12,847,269	18,433,477	0
<b>Capital Expenditures Total by Chapter</b>	8,105,829	12,091,591	17,626,149	0
<i>General Administration</i>	174,535	382,226	715,028	0
<i>Education</i>	0	0	0	0
<i>Health</i>	0	0	0	0
<i>Culture &amp; Sports</i>	88,450	54,537	868,647	0
<i>Social Assistance</i>	145,718	328,023	406,641	0
<i>Public Works &amp; Housing</i>	6,601,686	10,133,930	12,369,368	0
- <i>Transportation &amp; Communication</i>	1,083,921	1,182,813	3,182,173	0
<i>Other Economic Activities</i>	0	0	0	0
<i>Other Activities</i>	11,519	10,062	84,292	0
<b>Overall Surplus (Deficit)</b>	490,818	755,678	807,328	0

**Appendix III**  
**Detailed Financial Information on**  
**RAJDP**  
**Judet of Bihor**

**Net Cash Flow Analysis**  
Constant 1995 Lei

RAJDP Bihor	1994	1995	1996	1997	1998
Net Income	235,518	979,849	1,026,700	1,010,184	1,040,254
<i>Cash Flow from Operations</i>					
<b>Adjust Net Income to net cash provided by operating activities</b>					
Add back DEPRECIATION, AMORTIZATION, PROVISIONS	38,148	418,463	319,264	133,499	118,002
<b>Adjust for change in assets and liabilities</b>					
Add back increase in A/P and any other payable (including accrued liabilities and penalties)	(2,776,428)	714,889	297,166	236,924	317,973
Subtract increase in A/R and any other accrued receivable	3,230,894	(595,762)	(946,017)	(564,248)	(775,841)
Subtract increase in any of the INVENTORY	63,753	(337,119)	(92,198)	(132,940)	(182,793)
<b>Net Cash Flow from Operations</b>	<b>791,886</b>	<b>1,180,320</b>	<b>604,915</b>	<b>683,417</b>	<b>517,595</b>
<i>Cash Flow from Investments</i>					
-/+ (Purchase) / sales of PROPERTY, PLANT AND EQUIPMENT					
-/+ (Purchase) / sale of other INVESTMENTS					
<b>Net Cash Flow from Investments</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<i>Cash Flow from Financing</i>					
Subtract increase in PREPAID EXPENSES	740,729	(5,849)	6,936	0	0
Add increase in UNEARNED REVENUES	0	0	0	0	0
Add increase in CREDITS & LOANS	0	0	113,697	(61,091)	0
Subtract DIVIDENDS paid to the owner	333,117	(489,924)	(513,350)	(505,092)	(520,127)
<b>Net Cash Flow from Financing</b>	<b>1,073,847</b>	<b>(495,773)</b>	<b>(392,717)</b>	<b>(566,183)</b>	<b>(520,127)</b>
<b>Net Cash Flow for the Period</b>	<b>1,865,733</b>	<b>684,547</b>	<b>212,198</b>	<b>117,235</b>	<b>(2,532)</b>
<b>BEGINING Cash</b>	<b>256,090</b>	<b>134,748</b>	<b>819,295</b>	<b>1,031,493</b>	<b>1,148,727</b>
<b>ENDING Cash</b>	<b>134,748</b>	<b>819,295</b>	<b>1,031,493</b>	<b>1,148,727</b>	<b>1,146,195</b>

1) Trends are calculated at the total level

2) The company drastically reduced A/C Pay in 1996 w/out any offsetting by reducing A/C Rec  
Main A/C Rec are from the Judet Council

29

## Profit and Loss

	TOTAL 1994	TOTAL 1995	TOTAL 1996	TOTAL 1997	TOTAL 1998
<b>FINANCIAL RESULTS RAJDP Bihar</b>	1 34	1 00	0 67	0 36	0 33
1 Revenues from goods (merchandise) sold	838	35 509	14 878	25 193	20 782
2 Revenues from Core Activity	2 100 777	10 548 315	8 529 492	9 538 903	9 674 716
3 Turnover	2 101 614	10 583 823	8 544 369	9 564 096	9 695 497
4 or <5> Inventories evaluated	110 467		353 101	176 550	300 810
6 Assets in Process evaluated			169 871	84 936	144 715
7 Total Production	2 211,244	10 548 315	9 052 464	9 800 389	10 120,241
8 Subventions for Core Activity					
9 Other Revenues	523	24 158	8 060	16 119	12 399
10 Rev from Provisions for Core Activity					
11 Total Revenues Core Activity	2 212 604	10 607 961	9 075 421	9 841 701	10 153 421
12 Merchandise	390	23 621	8 616	16 118	12 733
13 Raw Materials	685 781	2 628 698	2 847 105	3 552 596	3 859 893
14 Consumables	249 503	1 196 421	1 058 553		
15 Energy and Water	13 249	58 060	45 717		
16 Other Materials	1 810	24 424	35 660		
17 Total Materials	950 343	3 907 623	3 987 035	3 947 329	4 288 770
18 Other Costs	254 266	1 198,243	1 065 534	1 131 888	1 181 318
19 Taxes	21 232	1 015 832	235 414	625 623	432 483
20 Personnel	472 668	2 030 405	1 723 981	1 764 676	1 816 320
21 Labor Burden	159 425	696 580	590 967	756,290	778 423
22 Total Personnel	632 093	2 726 985	2 314 948	2 520 966	2 594 744
23 Other Operational Costs		18	4	11	7
24 Depreciation for core activity	38 148	418 463	319,264	133 499	118 002
25 Total Costs for Core Activity	1 896 473	9 290 785	7 930 814	8 375 434	8 628 057
26 or <27> Profit or <Loss> Core Activity	316 131	1 317 196	1 144 607	1 466,267	1 525 364
34 Total Financial Revenues	548	24 478	22 950	23 714	25 140
38 Interest Expense			24 123		
40 Amortization / Provisions for Losses					
41 Total Financial Costs			24 123	12 061	20 551
42 or <43> Profit or <Loss> Financial Activity	548	24 478	(1 173)	11 652	4 590
44 or <45> Current Profit or <Loss>	316 131	1 341 674	1 143 435	1 477 919	1 529 954
46 Extraordinary Revenues	919	31 116	8 309	13 940	7 718
account 671 + 672 Extraordinary Costs	5 186	4 077	14 427		
a/c 687 Amortisation / Provisions for Ex Losses					
47 Extraordinary Costs Total	5 186	4 077	14 427	6 295	7 887
48 or <49> Extraordinary Profit or <Loss>	(4 267)	27 039	(6 117)	7 645	(169)
52 or <53> Gross Profit or <Loss>	311 865	1 368 713	1 137 318	1 485 564	1 529 785
54 Income Tax	76 347	727 059	110 617	475 381	489 531
55 Prepaid Tax					
56 or <57> Net Profit or <Loss>	235 518	979 849	1 026 700	1 010 184	1 040,254

## Financial Ratios

RAJDP Bihor		1994	1995	1996	1997	1998
<b><u>Vulnerability</u></b>						
Subsidies cover of CF from Operations	1)					
Subsidies cover of Payroll	2)	0 0%	0 0%	0 0%	0 0%	0 0%
w/out labor burden	2)	0 0%	0 0%	0 0%	0 0%	0 0%
Net CF from Ops as % of Payroll		125 3%	43 3%	26 1%	27 1%	19 9%
w/out labor burden		167 5%	58 1%	35 1%	27 1%	19 9%
Net CF from Ops as % of Raw Materials+ Consumables		115 5%	30 9%	15 5%	19 2%	13 4%
<b><u>Profitability</u></b>						
* Operating Profit Margin		14 3%	12 4%	12 6%	14 9%	16 2%
* Gross Margin		14 1%	12 9%	12 5%	15 1%	15 1%
<b><u>Leverage</u></b>						
* debt to assets		0 2%	11 1%	34 8%	26 5%	30 7%
w/out A/C Rec		0 2%	25 3%	46 0%	37 5%	48 6%
* debt to revenues ( core activ)		15 7%	10 8%	22 5%	12 3%	16 4%
w/out subsidies	2)	15 7%	10 8%	22 5%	12 3%	16 4%
* net CF % of TOTAL LIABILITIES		1437 2%	70 2%	7 0%	3 5%	22 7%
<b><u>Liquidity</u></b>						
* current ratio		304 8%	198 4%	311 2%	381 2%	368 1%
<b><u>Turns (days)</u></b>						
	360					
* collection period		29	29	60	50	74
* days sales in cash		86	24	41	41	41
* payable period		15	4	36	27	36
<b><u>Others</u></b>						
* raw materials % of total costs		0 0%	41 2%	49 2%	42 4%	44 7%
* sal % of total costs		24 9%	21 9%	21 7%	30 1%	30 1%
* subsidies % of total costs	2)	0 0%	0 0%	0 0%	0 0%	0 0%
* subsidies % of turnover	2)	0 0%	0 0%	0 0%	0 0%	0 0%

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**Financial Profile  
of the  
Municipality of Oradea**

**For the period from  
1993 to 1995**

**March 1997**

**Prepared Under Contract  
with the  
United States Agency for International Development**

**By  
The Urban Institute  
2100 M Street  
Washington, D C**

**East European Regional Housing Sector Assistance Project  
Project 180-0034  
U S Agency for International Development, ENI/EEUD/UDH  
Contract No EPE-0034-C-00-5110-00, RFS No 804**



## Introduction

USAID and the EBRD have been cooperating with the Government of Romania in the early development of a work plan to assist in creating a Municipal Credit Facility (MCF) that would lend to general purpose local governments (*judets* and municipalities), as well as local service enterprises (*regii*) to finance investments in infrastructure. The initial phase of that work plan involves an assessment of the existing legal and policy framework as it affects the stability of intergovernmental transfers and the ability of local governments to manage their own finances and to borrow. It also includes an analysis of the current financial condition of general purpose local governments in four urban regions to assess the credit worthiness of municipalities and *judets*, as potential borrowers from the MCF.

This Financial Profile of the Municipality of Oradea was prepared as part of a broader analysis of the financial condition and financial management capacity of a municipality and a *judet* in each of four urban regions in Romania (Bihor, Constanța, Dâmbovița and Maramureș), as well as that of the corresponding *regii* that provide water, waste water, transport, solid waste and heating services in those regions. The analysis will contribute to an understanding of the issues that might constrain the participation of municipalities in the MCF.

The first part of the analysis looks at the financial condition of the Municipality of Oradea, based on the actual results for the period from 1993 to 1995. It also attempts to look at the future financial condition of Oradea through the year 2001, although such projections should be considered as illustrative given the current state of flux of laws and regulations governing local government finances in Romania. The second part of the analysis looks at the financial management practices of the municipality. The final part of the analysis looks at the financial condition of the *regii* that provide local infrastructure services in Oradea.

## A FINANCIAL ANALYSIS

### Overall Results

The overall financial results of the Municipality of Oradea for the period from 1993 to 1995, as shown in Table 1, are reasonably stable. The overall deficit in 1995 is too small to be of concern.

However, these results by themselves reveal little else about the finances of the Municipality of Oradea. The following sections of this Financial Profile will attempt to provide greater insights into the financial condition of the Municipality.

	1993	1994	1995
Total Revenues	7,527,227	18,210,235	34,009,361
Total Expenditures	7,503,544	18,031,980	34,009,421
<b>Overall Surplus (Deficit)</b>	<b>23,683</b>	<b>178,255</b>	<b>(60)</b>

### Net Operating Results

This section of the analysis looks at net operating results. This is different than the overall surplus or deficit, shown above, which judets and municipalities currently calculate. That analysis looks at the difference between all revenues and all expenditures. Net operating results look only at the difference between non-investment (or operating) expenditures and non-capital (or operating) revenues.

The calculation uses the standard income and expense data reported by judets and municipalities in Annexes 12 and 14 of their quarterly and annual financial statements. These forms include all revenues and expenditures by line item for any given year, including budget and actual information. The calculation of the net operating results first requires identifying and classifying those expenditures related to the cost of administering the Municipality or of providing local services. This includes as well any subsidies or transfers to other organizations, such as the *regii*, to pay for similar costs. These are the *operating expenditures* of the Municipality. The second step is to isolate those revenues that are available on a continuing basis to pay for operating expenditures. These *operating revenues* include all local taxes and fees, shared national tax revenues and any operating subsidies provided by the state. They do not include non-fiscal revenues, such as the proceeds of loans or of the sale of assets, or those revenues provided by the state specifically to pay for investments. Appendix 1 explains the calculation of operating expenditures and revenues using the data available in Annexes 12 and 14 of the standard financial reports.

The net operating results of the Municipality are determined by subtracting its total operating expenditures from its total operating revenues. This will produce

- A net operating surplus when recurring revenues are greater than operating expenditures
- A net operating deficit when operating expenditures are greater than recurring revenues

This is a significant result. Should the Municipality want to enter into a loan or issue bonds, the operating surplus will be the amount available to pay the maturing principal and interest payments on the debt. It will largely determine the maximum amount the Municipality *can* borrow. A Municipality that has a current net operating deficit has no free operating revenues available for debt service. It should not consider entering into any new loans until it has taken steps to identify and address the causes of the problem.

The net operating results of the Municipality of Oradea for the period from 1993 to 1995 show continuous flux, with a surplus in 1994 and small deficits in 1993 and 1995.

An analysis of the net operating results in constant 1995 lei, as shown in Table 2, below, reveals that the net operating deficit was the same in 1995 as in 1993. Both operating revenues and expenditures grew by almost 50% in real terms between 1994 and 1995. The deficit recorded in 1996 is not necessarily of concern, unless the pattern were to continue in future years.

<b>Table 2</b>			
<b>Net Operating Results</b>			
Constant 1995 Lei - Thousands			
	1993	1994	1995
Operating Revenues	12,151,949	16,887,887	24,907,272
Operating Expenditures	12,244,719	16,723,429	24,999,652
<b>Operating Surplus (Deficit)</b>	<b>(92,770)</b>	<b>164,458</b>	<b>(92,380)</b>

### Revenue Trends

This section of the analysis looks at how the revenues of the Municipality of Oradea have changed over the period from 1993 to 1995. As shown in Table 3, below, revenues have doubled in real terms, with the greatest increase in local taxes and fees. Shared national tax revenues doubled, state capital subsidies tripled while the state operating subsidies and own capital revenues decreased.

<b>Table 3</b>			
<b>Value of Revenues</b>			
Constant 1995 Lei - Thousands			
	1993	1994	1995
Local Taxes & Fees	3,097,024	3,939,835	11,236,717
Shared National Taxes	4,422,823	9,554,405	9,515,872
State Operating Subsidies	4,632,101	3,393,647	4,154,683
<b>Total Operating Revenues</b>	<b>12,151,948</b>	<b>16,887,887</b>	<b>24,907,272</b>
Own Capital Revenues	677,760	296,966	447,077
State Capital Subsidies	2,821,699	6,087,827	8,655,012
<b>Total Capital Revenues</b>	<b>3,499,459</b>	<b>6,384,793</b>	<b>9,102,089</b>
<b>Total Revenues</b>	<b>15,651,407</b>	<b>23,272,680</b>	<b>34,009,361</b>

During the same period, as shown in Table 4, below, the composition of the operating revenues of the Municipality of Oradea, that is, those revenues that are most critical to an evaluation of the borrowing capacity of the Municipality, has changed considerably. Local taxes and fees now constitute 45% of the operating revenues, replacing state subsidies as the most important category.

	1993	1994	1995
Local Taxes & Fees	25 49%	23 33%	45 11%
Shared National Taxes	36 40%	56 58%	38 21%
State Operating Subsidies	38 12%	20 10%	16 68%

### Expenditure Trends

This section of the analysis looks at how the expenditures of the Municipality of Oradea have evolved over the period from 1993 to 1995. As shown in Table 5, below, the volume of expenditures in constant 1995 lei has increased significantly in health and public works, which continue to be the Municipality's largest operating expenditures. Education, which is the third largest category, was only introduced in 1995, as was culture. The need to absorb these new responsibilities probably explains the small operating deficit recorded in 1995.

Chapter	1993	1994	1995
General Administration	2 01	2 87	5 71
Education	0 00	0 00	19 66
Health	21 14	35 58	37 95
Culture and Art	0 00	0 00	0 54
Social Assistance	0 30	1 17	2 71
Public Works and Housing	23 70	17 99	31 94
Transportation and Communication	8 12	17 76	14 50
Other Economic Activities	0 00	0 00	0 00
Other Activities	0 00	0 00	0 00

### Debt

The Municipality of Oradea has not borrowed.

The Municipality is considering two loans, however, in the future. One of these would be a loan of \$20 million to build a beltway around the Municipality.

**Projections**

Table 6 shows the future net operating results for the Municipality of Oradea as projected to the year 2001, based on current revenue and expenditure trends. That table shows that the Municipality will continue to have small deficits. If the Municipality wants to borrow, it will have to control its operating expenditures, particularly in health and public works.

**Table 6  
Projections**

<b>Oradea</b>									
<b>Actual and Projected Cash Flow</b>									
<b>Current Trends - Constant 1995 Le</b>	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>
<b>Recurring Revenues Total</b>	11 751 063	16 117 613	23 904 009	29 410 508	35 486 981	41 563 454	47 639 927	53 716 401	59 792 874
Of which									
<i>Local Taxes and Fees</i>	2 696 138	3 169 561	10 233 454	12 903 700	16 672 358	20 441 016	24 209 674	27 978 332	31 746 989
<i>Shared National Tax Revenues</i>	4 422 823	9 554 405	9 515 872	12 924 082	15 470 607	18 017 131	20 563 655	23 110 180	25 656 704
<i>State Operating Subsidies</i>	4 632 101	3 393 647	4 154 683	3 582 726	3 344 017	3 105 307	2 866 598	2 627 889	2 389 180
<b>Operating Expenditures Total</b>	12 244 719	16 723 429	24 999 652	30 744 200	37 121 666	43 499 132	49 876 599	56 254 065	62 631 532
Of which									
<i>General Administration</i>	445 516	637 335	1 262 991	1 599 422	2 008 159	2 416 897	2 825 634	3 234 372	3 643 109
<i>Education</i>	0	0	4 349 525	5 799 367	7 974 129	10 148 892	12 323 654	14 498 417	16 673 179
<i>Health</i>	4 683 797	7 894 367	8 394 726	10 701 892	12 557 357	14 412 822	16 268 286	18 123 751	19 979 215
<i>Culture &amp; Sports</i>	0	0	120 320	160 427	220 587	280 747	340 907	401 067	461 227
<i>Social Assistance</i>	66 538	259 048	598 899	840 523	1 106 703	1 372 884	1 639 065	1 905 245	2 171 426
<i>Public Works &amp; Housing</i>	5 250 300	3 991 752	7 066 033	7 251 762	8 159 628	9 067 495	9 975 362	10 883 228	11 791 095
<i>Transportation &amp; Communication</i>	1 798 569	3 940 926	3 207 158	4 390 807	5 095 102	5 799 397	6 503 691	7 207 986	7 912 281
<i>Other Economic Activities</i>	0	0	0	0	0	0	0	0	0
<i>Other Activities</i>	0	0	0	0	0	0	0	0	0
<i>Interest Payments</i>	0	0	0	0	0	0	0	0	0
<b>Recurring Surplus (Deficit)</b>	(493 656)	(605 815)	(1 095 643)	(1 333 692)	(1 634 685)	(1 935 678)	(2 236 672)	(2 537 665)	(2 838 658)
<b>Non recurring Operating Revenues Total</b>	400 886	770 274	1 003 263	1 327 185	1 628 373	1 929 561	2 230 750	2 531 938	2 833 127
Of which									
<i>Non recurring Local Operating Revenues</i>	400 886	770 274	1 003 263	1 327 185	1 628 373	1 929 561	2 230 750	2 531 938	2 833 127
<b>Net Operating Surplus (Deficit)</b>	(92 770)	164 458	(92 380)	(6 507)	(6 312)	(6 117)	(5 922)	(5 726)	(5 531)

85

## B FINANCIAL MANAGEMENT PRACTICES

### Budgeting for Expenditures

The municipality receives budget proposals from the subordinate organizations (by chapter, such as health) and determines if they are reasonable. These proposals are to be prepared by the Director of the organization according to the procedures set up by visiting USAID consultant Phil Rosenberg (ICMA) approximately a year and a half ago. To determine if the operating expenditures are reasonable, the municipality's Economic Department looks at what the organization consumed last year, in terms of materials and personnel. They then apply an inflation rate (for that sector) to these same amounts and come up with a monetary figure that they expect the organization needs for the coming year. In other words, the subordinate organizations are usually allocated constant operating expenditures in real terms.

A subordinate organization must document the need for extraordinary or investment expenses in its budget request. The municipality then prioritizes the investment or capital repair needs for all sectors, giving preference to projects already begun. Repeat requests which were not granted the previous year are also given preference. The municipality fulfills as many of these requests as the budget allows.

Each month, the subordinate organization must come to the municipality to receive the funds it needs for the coming month. The amount is not necessarily one twelfth of the total amount, as certain expenditures have a non-continuous or seasonal nature. The other reason that the amounts may not be equal each month is that the municipality must adjust its expenditure budget approximately once a year.

### Budgeting for Revenues

Notarial fees and stamp duties	This is estimated based on receipts of the previous years. The municipality expects this category will grow as more people require these services.
Fees for use of state-owned land	These are determined by the number of square meters used by a company (as reported in its income statement). As a percent of the total budget, these revenues are decreasing because of the transfer of municipal property.
Corporate property tax	In its income statement, a company declares the number of square meters of land it owns and the total value of its buildings. Note that for the property tax and the fees for use of state-owned land, the estimated value of the land depends on the zone in which the land is located.

For the taxes with the most revenue-generating potential, the municipality does not have the ability to alter the tax rate. In the opinion of the Economic Director, the greatest taxing potential exists in the property taxes on corporations and individuals and the vehicle fees on corporations and individuals.

There are several explanations for why the municipality's estimates of tax revenues might be wrong. For example, in 1995 the corporate property tax rate decreased from 1.5% to 1% of total value. In 1996, the municipality estimated to have land concessions, but did not have any.

In 1996, the Finance Administration estimated about 10 billion lei in local revenues. The municipality's estimate of 13 billion lei was closer to the actual amount - 12.4 billion lei.

The municipality does not exactly estimate what it will receive in terms of national transfers and subsidies. Rather, it estimates its needs based on its expenditures and hopes to receive what it needs to cover its expenditures.

In theory, the municipality can monitor the level of revenues and expenditures compared to the budgeted amounts by checking the financial reports sent almost daily from the Finance Administration. In fact, the Economic Director does not become closely involved in revenue budgeting, monitoring or recording. The Economic Director does monitor expenditures through the records of the municipality's accounting department.

## C PROVISION OF INFRASTRUCTURE SERVICES

### Organizations Responsible for Local Services

For the Municipality of Oradea infrastructure services are provided by several local regiї autonomes and commercial companies.

The following services are provided by the "RA de Gospodarie comunala locala," the regie for public works, (*RAGCL Oradea*)

- Water and waste water, together with
- Heating
- Housing and others

The "RA de transport local," (*RAOTL Oradea*) is responsible for local mass transit.

The "RA de Piete, agrement si stranduri," (*RAPAS Oradea*) is the regie for markets, parks, swimming-pools and spas.

In addition, other services are performed by commercial companies. The "Compania de gospodarie comunala," a joint venture signed among RWE (a German company), RAPAS and the City Council, is responsible for the street cleaning and some garbage collection (a small share of the households). "Urbana," a second private company performs garbage collection and disposal based on direct contracts with their clients. "SC de drum orasenesc" is the commercial company for maintaining city streets.

The following discussion describes the financial histories of the first two regiї which have public utility responsibilities. The period covered begins in 1994, when the regiї began operating under their present structures. The financial history for the RAPAS is not presented in the text, but tables for all three regiї are found in Appendix III.

### Net Profit (Loss)

The net income of RAGCL, as shown in Table 7A, below, has followed a steady positive trend. The operating results have improved from a loss of 131.8 million lei in 1994 to an estimated gain of 942.7 million Lei in 1996, expressed in constant 1995 Lei. It is expected that 1997 will produce a profit of 1.8 billion lei if present conditions remain the same. The growing operating profit margin shows that the regie is capable of performing its core activity and earning a modest profit. The gross margin, though, shows that they have problems in covering their overhead.



<b>Table 7A- RAGCL</b>				
<b>Net Profit (Loss)</b>				
<b>Constant 1995 Lei - Thousands</b>				
	<b>1994</b>	<b>1995</b>	<b>1996 (E)</b>	<b>1997 (P)</b>
Operating Revenues	31,441,843	39,668,318	39,158,424	38,934,913
Operating Costs	30,963,405	39,420,860	37,793,884	36,328,406
Operating Profit (Loss)	478,438	247,458	1,364,540	2,606,507
Operating Profit (Loss) Margin	1 5%	0 6%	3 5%	6 7%
Other Revenues	189,925	299,283	320,482	236 560
Other Costs	800,137	384,632	164,572	243,365
Gross Profit (Loss)	(131,774)	162,109	1,520,450	2,599,702
Profit/Payroll Taxes Paid	0	61,602	577,771	831,905
<b>Net Profit (Loss)</b>	<b>(131,774)</b>	<b>100,507</b>	<b>942,679</b>	<b>1,767,797</b>

The net income of RAOTL shows a negative trend. Expressed in constant 1995 lei, the income went from a profit of 266 5 million lei in 1995 to an estimated loss of 71 1 million lei in 1996. As shown in 7B, below, it is expected that for 1997 the regie will lose over 1 billion lei. The results of operations have been negative in every year except 1995. This suggests that the regia has problems in performing its core activity on a financially sound basis.

<b>Table 7B - RAOTL</b>				
<b>Net Profit (Loss)</b>				
<b>Constant 1995 Lei - Thousands</b>				
	<b>1994</b>	<b>1995</b>	<b>1996 (E)</b>	<b>1997 (P)</b>
Operating Revenues	11,206,173	13,650,128	2,393,106	5,329,500
Operating Costs	11,575,664	13,407,584	2,848,331	7,836 581
Operating Profit (Loss)	(369,491)	242,544	(455,225)	(2,507,081)
Operating Profit (Loss) Margin	(3 3)%	1 8%	(19 0)%	(47 0)%
Other Revenues	179,800	381,985	56 901	162 166
Other Costs	115,807	289,703	41 260	117,753
Gross Profit (Loss)	(305,498)	334,826	(439 584)	(2,462 668)
Profit/Payroll Taxes Paid	0	68,343	(368,499)	(788 054)
<b>Net Profit (Loss)</b>	<b>(305,498)</b>	<b>266,483</b>	<b>(71,085)</b>	<b>(1,674,614)</b>

Although the operating results provide important information about the finances of the regii, they may not provide a complete understanding of their overall financial condition. The following analysis will attempt to provide additional insights.

### **Net Cash Flow Analysis**

The Income Statement and the Balance Sheet of a local regie or commercial company that provides essential infrastructure services to a community present valuable information both to the managers and to the Local Councils and other interested parties such as investors and creditors. Yet, it is important to look beyond the results reported in the Income Statement and Balance Sheet at other results that can be calculated using the information available in those statements.

Under the present conditions in the Romanian economy, it is not unusual to find commercial companies, including many local regii, with high levels of both accounts receivable and accounts payable. A growing inability to collect payments owed by clients for services provided, reflected in the increase in accounts receivable, poses a potential threat to the liquidity of many companies, including some of the regii. By and large, companies have tried to offset the loss of cash implicit in the increase in accounts receivable by a corresponding increase in accounts payable. The situation often is described as one of "financial blockage" - no-one pays anyone else. This involves serious risks. It is not sustainable over time. What might happen, for example, if a large creditor (such as RENEL) demands payment of accumulated bills? In the absence of a compensating reduction in receivables (an increase in the collection from its debtors), the commercial company or regie would face a serious cash problem that might impair its ability to continue to operate normally.

The existing situation of "financial blockage" distorts the picture of the financial condition of a company or regie, as shown in its financial statements. Assets, as shown by accounts receivable in the balance sheet, may not be what they seem. It is likely that in the future not all receivables will be recovered. Consequently, companies should be making provisions for losses from bad debts. Conversely, liabilities, as shown by accounts payable, may also be inaccurate. As companies begin to face the obligation to repay accumulated arrears, there is a potential for late payment fees or penalties. Therefore, companies (including regii) which have a high volume of accounts payable should start introducing provisions for losses on penalties and litigation. The most immediate problem, however, is whether the company is generating sufficient cash to ensure its continued operations. In answering this question, it is necessary to look beyond the operating results as reported in the Income Statement to the Net Cash Flow of the company. By projecting, for the near future, the level of cash that flows through the company, the management can predict the company's cash position at every instant in time, assess liquidity risks, and prevent unpleasant moments of illiquidity. In the case of the regie, liquidity is also a concern for the municipality which has an obligation to provide a reasonable level of infrastructure services to the local community. Barring any force majeure and using good sense in estimating the risks, the trend in the ending cash position can show well in advance when a liquidity problem might arise.

### *How We Arrive at Net Cash Flow*

The purpose of the net cash flow analysis is to identify the sources and uses of cash during the accounting period. To do this, the analysis divides the operations of a company or regie into three main activity groups that cause assets to change: operations, investments and financing. Beginning with net income calculated on an accrual basis the analysis makes a series of

adjustments intended to transform net income into cash flow. The adjustments are of three types:

- Expenses not involving cash outflows are added back, e.g. depreciation, deferred taxes, increase in accounts payable and in accrued interest payable,
- Cash outflows not treated as expenses are subtracted, e.g. increase in inventory, dividends,
- Revenues not involving cash inflows are subtracted as well, e.g. increase in accounts receivable and in accrued interest earned, and gain on sale of property.<sup>1</sup>

The first activity covered in the analysis are the income and expenses related to the *operations* of the company or regie. Most expenses involve a corresponding outflow of cash. Depreciation, amortization and provisions, however, although deducted as expenses do not require the use of cash. Since they are a non-cash reduction in net income, they are added back to adjust the cash flow from operations. The same is true for the increase in accounts payable (the difference is deducted from net income but not yet paid) and the decrease in accounts receivable (similarly, this is an increase in sales for which the regie has not been paid). In addition, the increase in inventory is deducted to reflect the cash used to produce the additional inventory. This part of the analysis looks at the trends in accounts payable and accounts receivable, as well as net cash generated from operations.

The final two parts of the analysis then look at the impact on net cash flow of *investment and financing activities*. The first involves changes in a firm's long-term investments in property, plant and equipment. These activities are not reflected in the income statement but represent a use (or a source of) cash.<sup>2</sup> *Financing activities* include cash raised from debt (inflows) and cash outflows for the dividends paid.<sup>3</sup>

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<sup>1</sup> Whatever cash is generated by the sale of property will appear on the cash flow statement as proceeds from the sale of property under the heading "cash flow from investments". The gain (or loss) on the sale is the difference between the property's selling price and its balance sheet value when sold. Because this gain is already part of the line -/+ (purchase)/sale of property, plant or equipment, showing it also as part of operating activities would amount to double-counting.

<sup>2</sup> Because of little information on the changes in property, plant and equipment, we assumed that all changes come from revaluation of the assets. This is a change that does not affect either the cash flow or net income.

<sup>3</sup> In the particular case of Romania and the regii, we have also observed the use of unearned revenues as a way to bridge-finance the shortfall of cash at the end of the year. Similarly, this is sometimes compensated by an increase in prepaid expenses. Both are a masked form of short-term financing.

**Table 8A Net Cash Flow  
Constant 1995 Lei**

<b>RAOTL Oradea</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>
Net Income	266,483	(71,085)	(1,674,614)	(1,166,795)
<i>Cash Flow from Operations</i>				
<b>Adjust Net Income to net cash provided by operating activities</b>				
Add back DEPRECIATION, AMORTIZATION, PROVISIONS	1,021,533	213,001	325,891	288,062
<b>Adjust for change in assets and liabilities</b>				
Add back increase in A/P and any other payable (including accrued liabilities and penalties)	561,424	808,033	677,498	957,000
Subtract increase in A/R and any other accrued receivable	(972,063)	(627,245)	(72,000)	0
Subtract increase in any of the INVENTORY	(131,768)	(186,515)	(59,349)	(99,000)
<b>Net Cash Flow from Operations</b>	<b>745,609</b>	<b>136,190</b>	<b>(802,574)</b>	<b>(20,733)</b>
<i>Cash Flow from Investments</i>				
-/+ (Purchase) / sales of PROPERTY, PLANT AND EQUIPMENT				
-/+ (Purchase) / sale of other INVESTMENTS				
<b>Net Cash Flow from Investments</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<i>Cash Flow from Financing</i>				
Subtract increase in PREPAID EXPENSES	(233,036)	185,538	(3,600)	(3,300)
Add increase in UNEARNED REVENUES	62,050	(106,043)	0	0
Add increase in CREDITS & LOANS	0	0	0	0
Subtract DIVIDENDS paid to the owner	226,794	(151,952)	0	0
<b>Net Cash Flow from Financing</b>	<b>55,808</b>	<b>(72,456)</b>	<b>(3,600)</b>	<b>(3,300)</b>
<b>Net Cash Flow for the Period</b>	<b>801,417</b>	<b>63,733</b>	<b>(806,174)</b>	<b>(24,033)</b>
<b>BEGINING Cash</b>	<b>0</b>	<b>801,417</b>	<b>865,150</b>	<b>58,976</b>
<b>ENDING Cash</b>	<b>801,417</b>	<b>865,150</b>	<b>58,976</b>	<b>34,943</b>

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**Table 8B**  
**Net Cash Flow Analysis**  
**Constant 1995 Lei**

<b>RAGCL Oradea</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>
Net Income	(131,774)	100,508	942,679	1,767,797	1,977,616
<i>Cash Flow from Operations</i>					
<b>Adjust Net Income to net cash provided by operating activities</b>					
Add back DEPRECIATION, AMORTIZATION, PROVISIONS	905,486	3,205,850	3,488,405	1,068,162	944,171
<b>Adjust for change in assets and liabilities</b>					
Add back increase in A/P and any other payable (including accrued liabilities and penalties)	8,035,437	2,552,423	2,410,445	2,481,434	2,445,940
Subtract increase in A/R and any other accrued receivable	(9,178,404)	(2,555,355)	(13,536,660)	(8,046,007)	(10,791,334)
Subtract increase in any of the INVENTORY	(1,273,114)	427,952	193,220	310,586	251,903
<b>Net Cash Flow from Operations</b>	<b>(1,642,368)</b>	<b>3,731,379</b>	<b>(6,501,910)</b>	<b>(2,418,028)</b>	<b>(5,171,703)</b>
<i>Cash Flow from Investments</i>					
-/+ (Purchase) / sales of PROPERTY, PLANT AND EQUIPMENT					
-/+ (Purchase) / sale of other INVESTMENTS					
<b>Net Cash Flow from Investments</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<i>Cash Flow from Financing</i>					
Subtract increase in PREPAID EXPENSES	(145,276)	(287,601)	88,181		
Add increase in UNEARNED REVENUES	58,164	(58,042)	10,074,414		
Add increase in CREDITS & LOANS	877,872	(532,774)	(377,458)		
Subtract DIVIDENDS paid to the owner		(50,254)	(471,340)	(883,899)	(988,808)
<b>Net Cash Flow from Financing</b>	<b>790,759</b>	<b>(928,671)</b>	<b>9,313,797</b>	<b>(254,721)</b>	<b>4,548,757</b>
<b>Net Cash Flow for the Period</b>	<b>(851,609)</b>	<b>2,802,708</b>	<b>2,811,887</b>	<b>(2,672,749)</b>	<b>(622,947)</b>
<b>BEGINING Cash</b>	<b>921,068</b>	<b>69,460</b>	<b>3,099,709</b>	<b>6,782,773</b>	<b>4,110,024</b>
<b>ENDING Cash</b>	<b>69,460</b>	<b>3,099,709</b>	<b>6,782,773</b>	<b>4,110,024</b>	<b>3,487,078</b>

54

### **Net Cash Flow Actual to Date**

#### *Trends in Accounts Receivable*

Receivables have increased over the years for all of the regii, with RAGCL attaining a record level of 34 billion lei in 1996. RAGCL will reach a peak in 1996 when it is expected to increase its accounts receivable by 13.5 billion lei (in constant 1995 lei). RAOTL also had a peak in 1996, when it added some 9.3 billion lei in uncollected bills. Even if considering an improvement for 1997, the receivables will probably continue to increase by approximately 7 or 8 billion lei (constant 1995 lei). The largest share of debtors comes from private households.

#### *Trends in Accounts Payable*

In all cases, because of the increase in accounts receivable, the working capital has been mostly financed through a corresponding increase in accounts payable. The accounts payable for RAGCL have increased by 13 billion lei (almost half the increase in accounts receivable for the same period). To make up the rest of the difference, RAGCL financed its operations through advances from its industrial customers (10 billion lei). RAOTL has actually financed all of the increase in accounts receivable through an equal increase in accounts payable. The major creditor in all instances is RENEL, the power authority, through its local subsidiaries.

#### *Net Cash Flow*

Because of the parallel increase in the level of receivables and payables, the net cash flow actually follows the trend in income. Despite a negative from operations recorded in most years, overall net cash flow for the RAGCL was a positive 2.8 billion lei in 1995 and 1996. This is the result of the various measures described above, including deferring payment of bills and booking future revenues. As a result, the regie's liquidity is good and increasing. Its current ratio is expected to remain over 300 percent for the next two years, if present conditions remain the same. The projection for 1997 shows what would happen if RAGCL cannot continue to implement measures to save cash or advance cash revenues. The regie will have a negative net cash flow roughly equivalent in real 1995 lei to the positive cash flow generated in 1996.

Subsidies play a major part in the operations of RAGCL, accounting for more than 80 percent of cash flow for operations in 1995 (the only year with a positive cash flow). Consequently, any change in the policy for subsidies will affect immediately the net income of the regie (both in operations terms and in decreased liquidity through a surge in uncollected bills). In looking for sensitivity to external factors, the largest single item is the relative increase in prices for raw materials which account for more than 40 percent of total costs. The second most important factor is the cost of labor. Currently, it is 15 percent and is expected to increase to 20 percent of total costs.

For the RAOTL, the net cash flow is following the declining trend of the net income. Subsidies play a major part in the regie's operations, accounting for all of the cash flow for operations in 1995 and 1996, and for 1994 and 1995 it accounted for more than half of the turnover. Consequently, any change in the policy for subsidies will affect immediately the liquidity of the regie (more so since the same process may bring a surge in uncollected bills). In looking for sensitivity to external factors, the largest single item is labor, which accounts for approximately 40 percent of all costs.

**Impact on Finances of the Municipality**

Tables 9A and 9B, below, show the flow of funds between the Municipality and RAGCL and RAOTL Oradea. As indicated by the figures in the table, there was a net flow from the Municipality to both regii in 1995 and 1996. The net flow to RAOTL regie, in particular, was significant in the overall finances of the municipality.

<b>Table 9A Flow of Funds Municipality - RAGCL</b>			
	<b>1994</b>	<b>1995</b>	<b>1996</b>
From the Municipality to RAGCL	774,737	3,088,936	3,987,980
State Subsidies	774,737	3,088,936	3,987,980
Other	0	0	0
From RAGCL to the Municipality	1,692,612	2,271,959	3,189,174
Income and Sales Tax Revenues	1,692,612	2,221,705	2,717,834
Distribution of Profits	0	50,254	471,340
<b>Net To (From) Municipality</b>	<b>917,875</b>	<b>(816,977)</b>	<b>(798,806)</b>
Net as Percent of Revenues (Expenditures)	5.3%	(2.6)%	n/a

<b>Table 9B Flow of Funds Municipality - RAOTL</b>			
	<b>1994</b>	<b>1995</b>	<b>1996</b>
From the Municipality to RAOTL	4,274,048	4,894,233	490,000
State Subsidies	4,274,048	4,894,233	490,000
Other	0	0	0
From RAOTL to the Municipality	2,200,732	1,492,199	(93,900)
Income and Sales Tax Revenues	2,200,732	1,358,958	(93,900)
Distribution of Profits	0	133,241	0
<b>Net To (From) Municipality</b>	<b>(2,073,316)</b>	<b>(3,402,034)</b>	<b>(583,900)</b>
Net as Percent of Revenues (Expenditures)	(13.1)%	(10.5)%	n/a

## APPENDIX I - DEFINITIONS

<b>1996 Code</b>	<b>Category/Sub Category</b>
	<b>Recurring Revenues</b>
	of which
	Local Taxes and Fees
	Shared National Salary Tax Revenues
	State Operating Subsidies
	<b>Local Taxes and Fees</b>
	of which
01 02	Taxes on Profits of Regi
03 02	Taxes and Fees on Individuals
04 02	Fees for Use of State Property
05 02	Corporate Property Tax
06 02	Corporate Vehicle Fees
07 02	Tax on Revenues from Agriculture
08 02	Other Direct Taxes
17 02	Other Indirect Taxes
	<b>Shared National Tax Revenues</b>
	of which
34 02	Shared National Salary Tax Revenues
	<b>State Operating Subsidies</b>
	of which
37 02 01	Subsidies for Social Assistance, Heating & Public Transport
	<b>Non-Recurring Revenues</b>
	of which
	Non-Recurring Local Operating Revenues
	Local Capital Revenues
	Other Capital Revenues
	<b>Non-Recurring Local Operating Revenues</b>
	of which
15 02	Entertainment Fees
20 02	Distribution from Profits of Regi
21 02	Revenues from Public Institutions
22 02	Other Various Revenues
40 02	Donations
	<b>Local Capital Revenues</b>
	of which
30 02	Proceeds from the Sale of Public Property & Housing
45 02	Proceeds of Short-term Loans
	<b>Other Capital Revenues</b>
	of which
37 02 02	State Capital Investment Subsidies
37 02 03	Capital Investment Subsidies from External Loans
46 02	Proceeds of Loans from Revolving Funds



**Appendix II**

**Detailed Financial Information on the  
Municipality of Oradea**

**Standard Data Set**

<b>Oradea</b>				
<b>Line Revenues - Actual at Year End</b>	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>
<b>0 Total Revenues</b>	7 527 227	18 210,235	34 009 361	0
Change in Total Revenues (current year/previous year)		2 42	1 87	0 00
<b>1 Local Taxes and Fees Recurring</b>	1 296,653	2 480 095	10 233 454	0
<b>2 Non Recurring Local Operating Revenues</b>	192 798	602,718	1 003 263	0
<b>3 Local Capital Revenues</b>	325 955	232 368	447 077	0
<b>4 Of which Proceeds from the sale of public property</b>	435	0	185	0
<b>5 Shared National Tax Revenues</b>	2 127 067	7 476 060	9 515 872	0
<b>6 State Operating Subsidies</b>	2 227 715	2 655 436	4 154 683	0
<b>7 Other Capital Revenues</b>	1 357 039	4 763 558	8 655 012	0
<b>8 Total Recurring Revenues (Line 1+5+6)</b>	5 651 435	12 611 591	23 904 009	0
Change in Recurring Revenues (current year/previous year)		2 23	1 90	0 00
<b>9 Total Non Recurring Revenues (Line 2+3+7)</b>	1 875,792	5 598 644	10 105 352	0
	7 527 227	18 210 235	34 009,361	0
<b>10 Verify Line 0 = Sum (Line 8+9)</b>	OK	OK	OK	OK
<b>Revenues - Initial Approved Budget</b>				
	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>
<b>11 Total Revenue Budget</b>	7 534 403	18,295 822	35 427 898	0
<b>12 Local Revenues and Fees</b>	1 302 000	2 220,000	11 218 834	0
<b>13 Shared National Tax Revenues</b>	2 127 067	7 476 060	9,515 872	0
<b>14 State Operating Subsidies</b>	2 227 715	2 826 872	4 180 900	0
<b>15 Recurring Revenue Budget (Line 12+13+14)</b>	5 656 782	12 522 932	24 915 606	0

50

**Standard Data Set**

**Oradea**

<b>Expenditures - Actual at Year End</b>	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>
16 <i>Administrative Expenses General Administration</i>	214 262	498 697	1 262 991	0
17 <i>Subsidies and Transfers General Administration</i>	0	0	0	0
18 <i>Capital Expenditures General Administration</i>	13 657	121 304	166 574	0
19 <i>Administrative Expenses Education</i>	0	0	4 349 525	0
20 <i>Subsidies and Transfers Education</i>	0	0	0	0
21 <i>Capital Expenditures Education</i>	0	0	0	0
22 <i>Administrative Expenses Health</i>	2 252 577	6 177,126	8 394 726	0
23 <i>Subsidies and Transfers Health</i>	0	0	0	0
24 <i>Capital Expenditures Health</i>	0	0	0	0
25 <i>Administrative Expenses Culture &amp; Sports</i>	0	0	0	0
26 <i>Subsidies and Transfers Culture &amp; Sports</i>	0	0	120 320	0
27 <i>Capital Expenditures Culture &amp; Sports</i>	0	0	0	0
28 <i>Administrative Expenses Social Assistance</i>	32 000	202 698	402 512	0
29 <i>Subsidies and Transfers Social Assistance</i>	0	0	196 387	0
30 <i>Capital Expenditures Social Assistance</i>	0	0	0	0
31 <i>Administrative Expenses Public Works &amp; Housing</i>	964 170	2 943 391	5 308 533	0
32 <i>Subsidies and Transfers Public Works &amp; Housing</i>	1 560 855	180 046	1 757 500	0
33 <i>Capital Expenditures Public Works &amp; Housing</i>	1 491 719	4 227 018	7 473,242	0
34 <i>Administrative Expenses Transportation &amp; Communication</i>	0	608 277	0	0
35 <i>Subsidies and Transfers Transportation &amp; Communication</i>	864 985	2 475 390	3 207 158	0
36 <i>Capital Expenditures Transportation &amp; Communication</i>	109 319	598 033	1 369 953	0
37 <i>Administrative Expenses Other Economic Activities</i>	0	0	0	0
38 <i>Subsidies and Transfers Other Economic Activities</i>	0	0	0	0
39 <i>Capital Expenditures Other Economic Activities</i>	0	0	0	0
40 <i>Administrative Expenses Other Activities</i>	0	0	0	0
41 <i>Subsidies and Transfers Other Activities</i>	0	0	0	0
42 <i>Capital Expenditures Other Activities</i>	0	0	0	0
<b>Operating Expenditures by Chapter</b>				
43 <i>General Administration Oper Exp (Line 16+17)</i>	214 262	498 697	1 262 991	0
44 <i>Education Oper Exp (Line 19+20)</i>	0	0	4 349 525	0
45 <i>Health Oper Exp (Line 22+23)</i>	2 252 577	6 177 126	8 394 726	0
46 <i>Culture &amp; Sports Oper Exp (Line 25+26)</i>	0	0	120 320	0
47 <i>Social Assistance Oper Exp (Line 28+29)</i>	32 000	202 698	598 899	0
48 <i>Public Works &amp; Housing Oper Exp (Line 31+32)</i>	2 525 025	3 123 437	7 066 033	0
49 <i>Transportation &amp; Communication Oper Exp (Line 34+35)</i>	864 985	3 083 667	3 207 158	0
50 <i>Other Economic Activities Oper Exp (Line 37+38)</i>	0	0	0	0
51 <i>Other Activities Oper Exp (Line 40+41)</i>	0	0	0	0

51

**Standard Data Set**

**Oradea**

<b>Expenditures - Actual at Year End</b>	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>
52 Total Operating Expenditures (Line 53+54+55)	5 888 849	13 085,625	24,999 652	0
Of which Change in Operating Expenditures (current year/previous year)		2 22	1 91	0 00
53 Total Administrative Expenses (Line 16+19+22+25+28+31+34+37+40)	3 463 009	10 430 189	19 718 287	0
54 Total Subsidies & Transfers (Line 17+20+23+26+29+32+35+38+41)	2 425 840	2 655 436	5 281 365	0
55 Interest Payments	0	0	0	0
56 Total Capital Expenditures (Line 18+21+24+27+30+33+36+39+42)	1 614 695	4 946 355	9 009 769	0
57 Other Payments (Line 58+59+60)	0	0	0	0
Of which				
58 Principal Repayments	0	0	0	0
59 Set Aside for Reserves	0	0	0	0
60 Distribution of Surplus	0	0	0	0
61 Total Annual Debt Service (Principal+Interest Payments)	0	0	0	0
62 Total Expenditures	7 503 544	18 031 980	34 009 421	0
	7 503 544	18 031 980	34 009 421	0
63 Verify Line 62 = Sum (Line 52+56+57)	OK	OK	OK	OK
<b>Expenditures - Initial Approved Budget</b>	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>
64 Operating Expenditure Budget	5 906 778	13 297 822	26,135 580	0
65 Capital Expenditure Budget	1 627,625	4 997 950	9 292 292	0
<b>Other Non-Financial Data</b>				
66 Total Local Government Employees (Municipal or Judet)	112	144	158	0
67 Total Population (Municipality or Judet)	221 559	221 885	221 222	0
68 Year to Year Inflation	296 0%	62 7%	27 8%	56 9%
69 Deflator (Base Year = 1995)	2 08	1 28	1 00	0 64

52

## Indicators

<b>Oradea</b>				
<b>Financial Performance Indicators</b>	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>
<i>Key Revenue Indicators</i>				
<b>1</b> <i>Recurring Revenues/Total Revenues</i>	0 75	0 69	0 70	#DIV/0!
<b>2</b> <i>- Shared National Tax Revenues/Recurring Revenues</i>	0 38	0 59	0 40	#DIV/0!
<b>3</b> <i>- State Operating Subsidies/Recurring Revenues</i>	0 39	0 21	0 17	#DIV/0!
<b>4</b> <i>- Local Taxes &amp; Fees/Recurring Revenues</i>	0 23	0 20	0 43	#DIV/0!
<b>5</b> <i>Proceeds from Asset Sales/Total Revenues</i>	0 00	0 00	0 00	#DIV/0!
<i>Key Expenditure Indicators</i>				
<b>6</b> <i>- Total Expenditures Per Capita (1000 lei)</i>	33 87	81 27	153 73	#DIV/0!
<b>7</b> <i>- Operating Expenditures Per Capita (1000 lei)</i>	26 58	58 97	113 01	#DIV/0!
<b>8</b> <i>Operating Expenditures/Total Expenditures</i>	0 78	0 73	0 74	#DIV/0!
<b>9</b> <i>Capital Expenditures/Total Expenditures</i>	0 22	0 27	0 26	#DIV/0!
<i>Key Indicators of Net Results</i>				
<b>10</b> <i>Total Expenditures/Total Revenues</i>	1 00	0 99	1 00	#DIV/0!
<b>11</b> <i>Operating Expenditures/Recurring Revenues</i>	1 04	1 04	1 05	#DIV/0!
<b>12</b> <i>Recurring Surplus/Shared National Tax Revenues</i>	-0 11	-0 06	-0 12	#DIV/0!
<b>13</b> <i>- Recurring Surplus/Local Taxes &amp; Fees</i>	-0 18	-0 19	-0 11	#DIV/0!
<i>Key Actual to Budget Performance Indicators</i>				
<b>14</b> <i>Actual Revenues/Initial Revenue Budget</i>	1 00	1 00	0 96	#DIV/0!
<b>15</b> <i>Actual Recurring Revenues/Initial Recurring Revenue Budget</i>	1 00	1 01	0 96	#DIV/0!
<b>16</b> <i>Actual Local Taxes and Fees/Local Taxes and Fees Budget</i>	1 00	1 12	0 91	#DIV/0!
<b>17</b> <i>Actual Shared National Tax Revenues/National Tax Budget</i>	1 00	1 00	1 00	#DIV/0!
<b>18</b> <i>Actual Expenditures/Initial Expenditure Budget</i>	1 00	0 99	0 96	#DIV/0!
<b>19</b> <i>Actual Operating Expenditures/Initial Operating Expenditure Budget</i>	1 00	0 98	0 96	#DIV/0!
<b>20</b> <i>- Actual Capital Expenditures/Initial Capital Expenditure Budget</i>	0 99	0 99	0 97	#DIV/0!

53

## Indicators

### Oradea

<i>Key Relative Performance Indicators</i>		<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>
<b>21</b>	<i>Change in Recurring Revenues /Change in Total Revenues</i>	n/a	0 92	1 01	#DIV/0!
<b>22</b>	<i>Change in Operating Expenditures/Change in Recurring Revenues</i>	n/a	1 00	1 01	#DIV/0!
 <i>Key Debt Service Indicators</i>					
<b>23</b>	<i>Total Annual Debt Service/Recurring Revenues</i>	0 00	0 00	0 00	#DIV/0!
<b>24</b>	<i>Interest Payments/Recurring Revenues</i>	0 00	0 00	0 00	#DIV/0!
<b>25</b>	<i>Total Annual Debt Service/Recurring Surplus before Interest Payments</i>	0 00	0 00	0 00	#DIV/0!
<b>26</b>	<i>Max Future Debt Service/Recurring Surplus before Interest Payments</i>	-38 34	-19 20	0 00	#DIV/0!
 <i>Operating Expenditure Indicators by Chapter (1000 lei)</i>					
<b>27</b>	<i>General Administration Expenditures/Per Capita</i>	0 97	2 25	5 71	#DIV/0!
<b>28</b>	<i>Education Expenditures/Per Capita</i>	0 00	0 00	19 66	#DIV/0!
<b>29</b>	<i>Health Expenditures/Per Capita</i>	10 17	27 84	37 95	#DIV/0!
<b>30</b>	<i>Culture &amp; Sports Expenditures/Per Capita</i>	0 00	0 00	0 54	#DIV/0!
<b>31</b>	<i>Social Assistance Expenditures/Per Capita</i>	0 14	0 91	2 71	#DIV/0!
<b>32</b>	<i>Public Works &amp; Housing Expenditures/Per Capita</i>	11 40	14 08	31 94	#DIV/0!
<b>33</b>	<i>Transportation Expenditures/Per Capita</i>	3 90	13 90	14 50	#DIV/0!
<b>34</b>	<i>Other Economic Expenditures/Per Capita</i>	0 00	0 00	0 00	#DIV/0!
<b>35</b>	<i>Other Expenditures/Per Capita</i>	0 00	0 00	0 00	#DIV/0!
 <i>Operating Expenditure Indicators by Chapter (Constant 1995 1000 Lei)</i>					
<b>36</b>	<i>General Administration Expenditures/Per Capita</i>	2 01	2 87	5 71	#DIV/0!
<b>37</b>	<i>Education Expenditures/Per Capita</i>	0 00	0 00	19 66	#DIV/0!
<b>38</b>	<i>Health Expenditures/Per Capita</i>	21 14	35 58	37 95	#DIV/0!
<b>39</b>	<i>Culture &amp; Sports Expenditures/Per Capita</i>	0 00	0 00	0 54	#DIV/0!
<b>40</b>	<i>Social Assistance Expenditures/Per Capita</i>	0 30	1 17	2 71	#DIV/0!
<b>41</b>	<i>Public Works &amp; Housing Expenditures/Per Capita</i>	23 70	17 99	31 94	#DIV/0!
<b>42</b>	<i>Transportation Expenditures/Per Capita</i>	8 12	17 76	14 50	#DIV/0!
<b>43</b>	<i>Other Economic Expenditures/Per Capita</i>	0 00	0 00	0 00	#DIV/0!
<b>44</b>	<i>Other Expenditures/Per Capita</i>	0 00	0 00	0 00	#DIV/0!

## Indicators

### Oradea

<b>Actual Net Operating Results</b>	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>
<b>Recurring Revenues Total</b>	5,651,435	12,611,591	23,904,009	0
Of which				
<i>Local Taxes and Fees</i>	1,296,653	2,480,095	10,233,454	0
- <i>Shared National Tax Revenues</i>	2,127,067	7,476,060	9,515,872	0
<i>State Operating Subsidies</i>	2,227,715	2,655,436	4,154,683	0
<b>Operating Expenditures Total</b>	5,888,849	13,085,625	24,999,652	0
Of which				
- <i>General Administration</i>	214,262	498,697	1,262,991	0
- <i>Education</i>	0	0	4,349,525	0
- <i>Health</i>	2,252,577	6,177,126	8,394,726	0
- <i>Culture &amp; Sports</i>	0	0	120,320	0
- <i>Social Assistance</i>	32,000	202,698	598,899	0
- <i>Public Works &amp; Housing</i>	2,525,025	3,123,437	7,066,033	0
- <i>Transportation &amp; Communication</i>	864,985	3,083,667	3,207,158	0
- <i>Other Economic Activities</i>	0	0	0	0
- <i>Other Activities</i>	0	0	0	0
<i>Interest Payments</i>	0	0	0	0
<b>Recurring Surplus (Deficit)</b>	(237,414)	(474,034)	(1,095,643)	0
<b>Non-recurring Operating Revenues Total</b>	192,798	602,718	1,003,263	0
Of which				
- <i>Non recurring Local Operating Revenues</i>	192,798	602,718	1,003,263	0
<b>Net Operating Surplus (Deficit)</b>	(44,616)	128,684	(92,380)	0

## Indicators

### Oradea

	1993	1994	1995	1996
<b>Capital Revenues Total</b>	1,682,994	4,995,926	9,102,089	0
Of which				
- Local Capital Revenues	325,955	232,368	447,077	0
- State Capital Subsidies	1,357,039	4,763,558	8,655,012	0
<b>Total Funds Available for Investments</b>	1,638,378	5,124,610	9,009,709	0
<b>Capital Expenditures Total by Chapter</b>	1,614,695	4,946,355	9,009,769	0
<i>General Administration</i>	13,657	121,304	166,574	0
<i>Education</i>	0	0	0	0
<i>Health</i>	0	0	0	0
<i>Culture &amp; Sports</i>	0	0	0	0
<i>Social Assistance</i>	0	0	0	0
<i>Public Works &amp; Housing</i>	1,491,719	4,227,018	7,473,242	0
<i>Transportation &amp; Communication</i>	109,319	598,033	1,369,953	0
<i>Other Economic Activities</i>	0	0	0	0
<i>Other Activities</i>	0	0	0	0
<b>Overall Surplus (Deficit)</b>	23,683	178,255	(60)	0
<b>Minus Other Payments Total</b>	0	0	0	0
Of which				
<i>Principal Repayments</i>	0	0	0	0
<i>Set Aside for Reserves</i>	0	0	0	0
<i>Distribution of Surplus</i>	0	0	0	0
Verify Overall Surplus (Deficit) minus Other Payments = 0	Error	Error	Error	OK

95



## Indicators

### Oradea

#### Actual Net Operating Results - Constant 1995 lei

	1993	1994	1995	1996
<b>Recurring Revenues Total</b>	11,751,063	16,117,613	23,904,009	0
Of which				
- Local Taxes and Fees	2,696,138	3,169,561	10,233,454	0
- Shared National Tax Revenues	4,422,823	9,554,405	9,515,872	0
- State Operating Subsidies	4,632,101	3,393,647	4,154,683	0
<b>Operating Expenditures Total</b>	12,244,719	16,723,429	24,999,652	0
Of which				
- General Administration	445,516	637,335	1,262,991	0
- Education	0	0	4,349,525	0
Health	4,683,797	7,894,367	8,394,726	0
Culture & Sports	0	0	120,320	0
- Social Assistance	66,538	259,048	598,899	0
- Public Works & Housing	5,250,300	3,991,752	7,066,033	0
Transportation & Communication	1,798,569	3,940,926	3,207,158	0
- Other Economic Activities	0	0	0	0
Other Activities	0	0	0	0
<i>Interest Payments</i>	0	0	0	0
<b>Recurring Surplus (Deficit)</b>	(493,656)	(605,815)	(1,095,643)	0
<b>Non-recurring Operating Revenues Total</b>	400,886	770,274	1,003,263	0
Of which				
Non recurring Local Operating Revenues	400,886	770,274	1,003,263	0
<b>Net Operating Surplus (Deficit)</b>	(92,770)	164,458	(92,380)	0

25

## Indicators

### Oradea

	1993	1994	1995	1996
<b>Capital Revenues Total</b>	3,499,460	6,384,793	9,102,089	0
Of which				
- Local Capital Revenues	677,760	296,966	447,077	0
- State Capital Subsidies	2,821,699	6,087,827	8,655,012	0
<b>Total Funds Available for Investments</b>	3,406,689	6,549,252	9,009,709	0
<b>Capital Expenditures Total by Chapter</b>	3,357,445	6,321,442	9,009,769	0
<i>General Administration</i>	28,397	155,027	166,574	0
<i>Education</i>	0	0	0	0
<i>Health</i>	0	0	0	0
<i>Culture &amp; Sports</i>	0	0	0	0
<i>Social Assistance</i>	0	0	0	0
<i>Public Works &amp; Housing</i>	3,101,740	5,402,129	7,473,242	0
<i>Transportation &amp; Communication</i>	227,308	764,286	1,369,953	0
<i>Other Economic Activities</i>	0	0	0	0
<i>Other Activities</i>	0	0	0	0
<b>Overall Surplus (Deficit)</b>	49,244	227,810	(60)	0

58

**Appendix III**

**Detailed Financial Information on  
RAGCL, RAOTL, RAPAS  
Municipality of Oradea**

**Net Cash Flow Analysis**  
Constant 1995 Lei

RAGCL Oradea	1994	1995	1996	1997	1998
Net Income	(131,774)	100,508	942,679	1,767,797	1,977,616
<i>Cash Flow from Operations</i>					
<b>Adjust Net Income to net cash provided by operating activities</b>					
Add back DEPRECIATION, AMORTIZATION, PROVISIONS	905,486	3,205,850	3,488,405	1,068,162	944,171
<b>Adjust for change in assets and liabilities</b>					
Add back increase in A/P and any other payable (including accrued liabilities and penalties)	8,035,437	2,552,423	2,410,445	2,481,434	2,445,940
Subtract increase in A/R and any other accrued receivable	(9,178,404)	(2,555,355)	(13,536,660)	(8,046,007)	(10,791,334)
Subtract increase in any of the INVENTORY	(1,273,114)	427,952	193,220	310,586	251,903
<b>Net Cash Flow from Operations</b>	<b>(1,642,368)</b>	<b>3,731,379</b>	<b>(6,501,910)</b>	<b>(2,418,028)</b>	<b>(5,171,703)</b>
<i>Cash Flow from Investments</i>					
-/+ (Purchase) / sales of PROPERTY, PLANT AND EQUIPMENT					
-/+ (Purchase) / sale of other INVESTMENTS					
<b>Net Cash Flow from Investments</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<i>Cash Flow from Financing</i>					
Subtract increase in PREPAID EXPENSES	(145,276)	(287,601)	88,181		
Add increase in UNEARNED REVENUES	58,164	(58,042)	10,074,414		
Add increase in CREDITS & LOANS	877,872	(532,774)	(377,458)		
Subtract DIVIDENDS paid to the owner		(50,254)	(471,340)	(883,899)	(988,808)
<b>Net Cash Flow from Financing</b>	<b>790,759</b>	<b>(928,671)</b>	<b>9,313,797</b>	<b>(254,721)</b>	<b>4,548,757</b>
<b>Net Cash Flow for the Period</b>	<b>(851,609)</b>	<b>2,802,708</b>	<b>2,811,887</b>	<b>(2,672,749)</b>	<b>(622,947)</b>
<b>BEGINING Cash</b>	<b>921,068</b>	<b>69,460</b>	<b>3,099,709</b>	<b>6,782,773</b>	<b>4,110,024</b>
<b>ENDING Cash</b>	<b>69,460</b>	<b>3,099,709</b>	<b>6,782,773</b>	<b>4,110,024</b>	<b>3,487,078</b>

Data in thousand lei

## Profit and Loss

	TOTAL 1994	TOTAL 1995	TOTAL 1996	TOTAL 1997	TOTAL 1998
<b>FINANCIAL RESULTS RAGCL Oradea</b>	1 34	1 00	0 67	0 36	0 33
1 Revenues from goods (merchandise) sold	50 085	52 144	25 172	38 658	30 997
2 Revenues from Core Activity	30 366 918	36 435 434	35 068 406	35 751 920	38 079 237
3 Turnover	30 417 003	36 487 578	35 093 578	35 790 578	38 110 234
4 or <5> Inventories evaluated					
6 Assets in Process evaluated	83 766	87 251	64 938	76 095	80 353
7 Total Production	30 450 684	36 522 686	35 133 344	35 828 015	38 159 590
8 Subventions for Core Activity	774 737	3 088 936	3 987 980	3 060 000	2 760 000
9 Other Revenues	4 311	4 552	11 928	8 240	13 309
10 Rev from Provisions for Core Activity	162 026				
<b>11 Total Revenues Core Activity</b>	<b>31 441 843</b>	<b>39 668 318</b>	<b>39 158 424</b>	<b>38 934 913</b>	<b>40 963 895</b>
12 Merchandise	34 918	13 888	7 935	10 911	9 934
13 Raw Materials	14 821 284	17 069 447	15 106 583		
14 Consumables	1 300 696	1 623 356	1 812 148		
15 Energy and Water	5 533 298	5 810 513	4 752 903		
16 Other Materials	35 692	116 325	95 587		
17 Total Materials	21 690 971	24 619 640	21 767 221	23 193 431	23 442 376
18 Other Costs	1 926 322	3 496 813	4 379 405	3 938 109	4 840 623
19 Taxes	236 699	311 347	271 677	291 512	289 592
20 Personnel	4 620 734	5 861 478	5 958 128		
21 Labor Burden	1 455 913	1 853 812	1 876 321	2 332 461	2 555 430
22 Total Personnel	6 076 647	7 715 290	7 834 448	7 774 869	8 518 099
23 Other Operational Costs	92 362	58 032	44 792	51 412	52 246
24 Depreciation for core activity	905 486	3 205 850	3 488 405	1 068 162	944 171
<b>25 Total Costs for Core Activity</b>	<b>30 963 405</b>	<b>39 420 860</b>	<b>37 793 884</b>	<b>36 328 406</b>	<b>38 097 041</b>
26 or <27> <b>Profit or &lt;Loss&gt; Core Activity</b>	<b>478 438</b>	<b>247 458</b>	<b>1 364 540</b>	<b>2 606 507</b>	<b>2 866 854</b>
34 <b>Total Financial Revenues</b>	<b>35 131</b>	<b>56 765</b>	<b>71 943</b>	<b>64 354</b>	<b>72 820</b>
38 Interest Expense	579 324	266 154	68 801		
40 Amortization / Provisions for Losses					
<b>41 Total Financial Costs</b>	<b>579 470</b>	<b>266 159</b>	<b>72 914</b>	<b>169 536</b>	<b>118 648</b>
42 or <43> <b>Profit or &lt;Loss&gt; Financial Activity</b>	<b>(544 339)</b>	<b>(209 394)</b>	<b>(971)</b>	<b>(105 182)</b>	<b>(45 827)</b>
44 or <45> <b>Current Profit or &lt;Loss&gt;</b>	<b>(65 901)</b>	<b>38 064</b>	<b>1 363 569</b>	<b>2 501 325</b>	<b>2 821 026</b>
46 <b>Extraordinary Revenues</b>	<b>154 794</b>	<b>242 518</b>	<b>248 539</b>	<b>172 206</b>	<b>142 010</b>
account 671 + 672 Extraordinary Costs	220 667	118 473	91 658		
a/c 687 Amortisation / Provisions for Ex Losses					
<b>47 Extraordinary Costs Total</b>	<b>220 667</b>	<b>118 473</b>	<b>91 658</b>	<b>73 829</b>	<b>54 778</b>
48 or <49> <b>Extraordinary Profit or &lt;Loss&gt;</b>	<b>(65 873)</b>	<b>124 046</b>	<b>156 881</b>	<b>98 377</b>	<b>87 232</b>
52 or <53> <b>Gross Profit or &lt;Loss&gt;</b>	<b>(131 774)</b>	<b>162 110</b>	<b>1 520 450</b>	<b>2 599 702</b>	<b>2 908 259</b>
54 Income Tax		56 547	569 837	831 905	930 643
55 Prepaid Tax		5 055	7 934		
<b>56 or &lt;57&gt; Net Profit or &lt;Loss&gt;</b>	<b>(131 774)</b>	<b>100 508</b>	<b>942 679</b>	<b>1 767 797</b>	<b>1 977 616</b>

## Financial Ratios

RAGCL Oradea	1994	1995	1996	1997	1998
<b><u>Vulnerability</u></b>					
Subsidies cover of CF from Operations	neg CF	82 8%	neg CF	neg CF	neg CF
Subsidies cover of Payroll	12 7%	40 0%	50 9%	39 4%	32 4%
w/out labor burden	16 8%	52 7%	66 9%	56 2%	46 3%
Net CF from Ops as % of Payroll	neg CF	48 4%	neg CF	neg CF	neg CF
w/out labor burden	neg CF	neg CF	neg CF	neg CF	neg CF
Net CF from Ops as % of Raw Matwrials	neg CF	21 9%	neg CF	neg CF	neg CF
<b><u>Profitability</u></b>					
* Operating Profit Margin	1 5%	0 6%	3 5%	6 7%	7 0%
* Gross Margin	0 4%	0 4%	3 9%	6 7%	7 1%
<b><u>Leverage</u></b>					
* debt to assets	5 9%	7 5%	7 2%	11 7%	16 4%
w/out A/C Rec	6 3%	8 2%	9 2%	18 1%	30 4%
* debt to revenues ( core activ)	31 5%	28 6%	19 0%	15 4%	20 1%
w/out subsidies	32 3%	31 1%	21 2%	16 7%	21 6%
* net CF % of TOTAL LIABILITIES	neg CF	28 7%	25 3%	neg CF	14 0%
<b><u>Liquidity</u></b>					
* current ratio	140 5%	130 3%	330 5%	366 8%	322 4%
<b><u>Turns (days)</u></b>					
	360				
* collection period	129	126	235	181	218
* days sales in cash	2	8	8	37	31
* payable period	97	91	49	29	26
<b><u>Others</u></b>					
* raw materials % of total costs	47 9%	43 3%	40 0%	44 1%	42 5%
* sal % of total costs	14 9%	14 9%	15 8%	21 4%	22 4%
* subsidies % of total costs	2 5%	7 8%	10 6%	8 4%	7 2%
* subsidies % of turnover	2 5%	8 5%	11 4%	8 5%	7 2%

62

**Net Cash Flow Analysis**  
**Constant 1995 Lei**

RAOTL Oradea	1995	1996	1997	1998
Net Income	266,483	(71,085)	(1,674,614)	(1,166,795)
<i>Cash Flow from Operations</i>				
<b>Adjust Net Income to net cash provided by operating activities</b>				
Add back DEPRECIATION, AMORTIZATION, PROVISIONS	1,021,533	213,001	325 891	288,062
<b>Adjust for change in assets and liabilities</b>				
Add back increase in A/P and any other payable (including accrued liabilities and penalties)	561,424	808,033	677,498	957 000
Subtract increase in A/R and any other accrued receivable	(972,063)	(627,245)	(72,000)	0
Subtract increase in any of the INVENTORY	(131,768)	(186,515)	(59,349)	(99,000)
<b>Net Cash Flow from Operations</b>	<b>745,609</b>	<b>136,190</b>	<b>(802,574)</b>	<b>(20,733)</b>
<i>Cash Flow from Investments</i>				
-/+ (Purchase) / sales of PROPERTY, PLANT AND EQUIPMENT				
-/+ (Purchase) / sale of other INVESTMENTS				
<b>Net Cash Flow from Investments</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<i>Cash Flow from Financing</i>				
Subtract increase in PREPAID EXPENSES	(233 036)	185,538	(3,600)	(3,300)
Add increase in UNEARNED REVENUES	62,050	(106 043)	0	0
Add increase in CREDITS & LOANS	0	0	0	0
Subtract DIVIDENDS paid to the owner	226,794	(151,952)	0	0
<b>Net Cash Flow from Financing</b>	<b>55,808</b>	<b>(72,456)</b>	<b>(3,600)</b>	<b>(3,300)</b>
<b>Net Cash Flow for the Period</b>	<b>801,417</b>	<b>63,733</b>	<b>(806,174)</b>	<b>(24,033)</b>
<b>BEGINING Cash</b>	<b>0</b>	<b>801,417</b>	<b>865,150</b>	<b>58,976</b>
<b>ENDING Cash</b>	<b>801,417</b>	<b>865,150</b>	<b>58,976</b>	<b>34,943</b>

## Profit and Loss

	TOTAL 1994	TOTAL1995	TOTAL 1996	TOTAL1997	TOTAL1998
<b>FINANCIAL RESULTS RAOTL Oradea</b>	1 34	1 00	0 67	0 36	0 33
1 Revenues from goods (merchandise) sold	26 092	61 807	53 301	57 554	59 519
2 Revenues from Core Activity	6 775 841	8 609 210	1 831 747	5 220 478	3 526 112
3 Turnover	6 801 934	8 671 017	1 885 047	5 278 032	3 585 631
4 or <5> Inventories evaluated					
6 Assets in Process evaluated					
7 Total Production	6 775 841	8 609 210	1 831 747	5 220 478	3 526 112
8 Subventions for Core Activity	4 274 048	4 894 233	490 000	5 000 000	5 200 000
9 Other Revenues	130 192	84 877	18 059	51 468	34 764
10 Rev from Provisions for Core Activity					
<b>11 Total Revenues Core Activity</b>	<b>11 206 173</b>	<b>13 650 128</b>	<b>2 393 106</b>	<b>5 329 500</b>	<b>3 620 395</b>
12 Merchandise	22 256	52 474	11 165	31 820	21 492
13 Raw Materials					
14 Consumables	2 137 630	3 274 757	696 757	1 985 757	1 341 257
15 Energy and Water	947 198	1 209 556	257 352	733 454	495 403
16 Other Materials	47 380	51 849	11 032		
17 Total Materials	3 132 207	4 536 162	965 141	2 750 651	1 857 896
18 Other Costs	2 177 193	2 423 857	515 714	1 469 786	992 750
19 Taxes	1 148 809	(65 869)	(14 015)	(39 942)	(26 978)
20 Personnel	3 250 860	4 082 943	868 711		
21 Labor Burden	1 051 923	1 356 485	288 614	989 513	668 355
22 Total Personnel	4 302 783	5 439 428	1 157 325	3 298 376	2 227 851
23 Other Operational Costs	3 631				
24 Depreciation for core activity	788 784	1 021 533	213 001	325 891	288 062
<b>25 Total Costs for Core Activity</b>	<b>11 575 664</b>	<b>13 407 584</b>	<b>2 848 331</b>	<b>7 836 581</b>	<b>5 361 072</b>
26 or <27> Profit or <Loss> Core Activity	(369 490)	242 544	(455 224)	(2 507 081)	(1 740 677)
<b>34 Total Financial Revenues</b>	<b>51 630</b>	<b>34 854</b>	<b>7 416</b>	<b>21 135</b>	<b>14 275</b>
38 Interest Expense	568				
40 Amortization / Provisions for Losses					
<b>41 Total Financial Costs</b>	<b>657</b>	<b>269</b>		<b>163</b>	<b>82</b>
42 or <43> Profit or <Loss> Financial Activity	50 974	34 585	7 416	20 972	14 194
<b>44 or &lt;45&gt; Current Profit or &lt;Loss&gt;</b>	<b>(318 517)</b>	<b>277 128</b>	<b>(447 809)</b>	<b>(2 486 109)</b>	<b>(1 726 484)</b>
<b>46 Extraordinary Revenues</b>	<b>128 170</b>	<b>347 131</b>	<b>49 485</b>	<b>141 031</b>	<b>63 823</b>
account 671 + 672 Extraordinary Costs	115 150	289 434	41 260		
a/c 687 Amortisation / Provisions for Ex Losses					
<b>47 Extraordinary Costs Total</b>	<b>115 150</b>	<b>289 434</b>	<b>41 260</b>	<b>117 590</b>	<b>53 215</b>
48 or <49> Extraordinary Profit or <Loss>	13 019	57 697	8 225	23 441	10 608
52 or <53> Gross Profit or <Loss>	(305 497)	334 826	(439 584)	(2 462 668)	(1 715 875)
54 Income Tax		68 343	(368 499)	(788 054)	(549 080)
55 Prepaid Tax					
<b>56 or &lt;57&gt; Net Profit or &lt;Loss&gt;</b>	<b>(305 497)</b>	<b>266 483</b>	<b>(71 085)</b>	<b>(1 674 614)</b>	<b>(1 166 795)</b>

Data in thousand lei

2a

3/7/97

69



## Financial Ratios

RAOTL Oradea	1994	1995	1996	1997	1998
<b><u>Vulnerability</u></b>					
Subsidies cover of CF from Operations	#DIV/0!	100 0%	100 0%	neg CF	neg CF
Subsidies cover of Payroll	99 3%	90 0%	42 3%	151 6%	233 4%
w/out labor burden	131 5%	119 9%	56 4%	216 6%	333 4%
Net CF from Ops as % of Payroll		13 7%	11 8%	neg CF	neg CF
w/out labor burden			15 7%	neg CF	neg CF
Net CF from Ops as % of Energy & Water	not signif	61 6%	52 9%	neg CF	neg CF
<b><u>Profitability</u></b>					
* operating Profit Margin	-3 3%	1 8%	-19 0%	-47 0%	-48 1%
* gross margin	-2 7%	2 5%	-18 4%	-46 2%	-47 4%
<b><u>Leverage</u></b>					
* debt to assets	5 2%	8 0%	11 5%	21 7%	39 8%
w/out A/C Rec	5 3%	8 5%	12 9%	25 4%	44 3%
* debt to revenues ( core activ)	10 2%	12 2%	61 6%	23 6%	82 0%
w/out subsidies	16 4%	18 9%	77 5%	382 4%	-188 0%
* net CF % of TOTAL LIABILITIES		56 8%	2 9%	neg CF	0 4%
<b><u>Liquidity</u></b>					
* current ratio	110 5%	155 1%	161 4%	76 9%	50 1%
<b><u>Turns (days)</u></b>					
	360				
* collection period	14	57	269	56	76
* days sales in cash	14	6	130	4	3
* payable period	23	32	127	37	86
<b><u>Others</u></b>					
* personnel % of total costs	37 2%	40 6%	40 6%	42 1%	41 6%
* sal % of total costs	28 1%	30 5%	30 5%	42 1%	41 6%
* subsidies % of total costs	36 9%	36 5%	17 2%	63 8%	97 0%
* subsidies % of turnover	62 8%	56 4%	26 0%	94 7%	145 0%

**Net Cash Flow Analysis**  
Constant 1995 Lei

RAPAS Oradea	1995	1996	1997	1998
Net Income	591,662	(191,886)	597,592	631,394
<i>Cash Flow from Operations</i>				
<b>Adjust Net Income to net cash provided by operating activities</b>				
Add back DEPRECIATION, AMORTIZATION, PROVISIONS	219,229	779,487	69,939	61,820
<b>Adjust for change in assets and liabilities</b>				
Add back increase in A/P and any other payable (including accrued liabilities and penalties)	112,590	9,594,028	2,610,000	3,588,750
Subtract increase in A/R and any other accrued receivable	(180,325)	(9,252,452)	(2,520 000)	(3,465,000)
Subtract increase in any of the INVENTORY	(153,276)	(1,191,876)	(360,000)	(495,000)
<b>Net Cash Flow from Operations</b>	<b>589,880</b>	<b>(262,700)</b>	<b>397,530</b>	<b>321,964</b>
<i>Cash Flow from Investments</i>				
-/+ (Purchase) / sales of PROPERTY, PLANT AND EQUIPMENT				
-/+ (Purchase) / sale of other INVESTMENTS				
<b>Net Cash Flow from Investments</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<i>Cash Flow from Financing</i>				
Subtract increase in PREPAID EXPENSES	(21 011)	(220,423)	(18,000)	(16 500)
Add increase in UNEARNED REVENUES	25,036	(21,712)	0	0
Add increase in CREDITS & LOANS	58,989	(56,946)	0	0
Subtract DIVIDENDS paid to the owner	109,615	0	298,796	315,697
<b>Net Cash Flow from Financing</b>	<b>172,629</b>	<b>(299,081)</b>	<b>280,796</b>	<b>299,197</b>
<b>Net Cash Flow for the Period</b>	<b>762,509</b>	<b>(561,781)</b>	<b>678,326</b>	<b>621,161</b>
<b>BEGINING Cash</b>	<b>20,100</b>	<b>782,609</b>	<b>220,828</b>	<b>899,154</b>
<b>ENDING Cash</b>	<b>782,609</b>	<b>220,828</b>	<b>899,154</b>	<b>1,520,315</b>

## Profit and Loss

	TOTAL 1994	TOTAL 1995	TOTAL 1996	TOTAL 1997	TOTAL 1998
<b>FINANCIAL RESULTS RAPAS Oradea</b>	1 34	100	0 67	0 36	0 33
1 Revenues from goods (merchandise) sold		484 604	119 197	301 901	212 188
2 Revenues from Core Activity	1 246 945	3 898 900	25 188 691	14 543 796	22 348 671
3 Turnover	1 246 945	4 383 504	25 307 888	14 845 696	22 560 859
4 or <5> Inventories evaluated		273 385	58 167	165 776	111 971
6 Assets in Process evaluated		86	448 805	224 445	382 360
7 Total Production	1 246 945	4 172 371	25 695 562	14 934 017	22 843 003
8 Subventions for Core Activity					
9 Other Revenues		4 055	151 637	77 846	130 107
10 Rev from Provisions for Core Activity					
<b>11 Total Revenues Core Activity</b>	<b>1 246 945</b>	<b>4 661 030</b>	<b>25 966 496</b>	<b>15 313 763</b>	<b>23 185 298</b>
12 Merchandise		380 283	88 687	234 485	162 378
13 Raw Materials		11 378	2 421		
14 Consumables	42 832	447 801	1 692 646		
15 Energy and Water	45 899	126 553	14 382 898		
16 Other Materials	23 916	87 163	99 950		
17 Total Materials	112 647	672 894	16 177 915	8 425 404	13 935 753
18 Other Costs	86 891	239 474	991 014	615 244	898 930
19 Taxes	27 955	95 282	118 186	106 734	122 438
20 Personnel	360 051	1 668 590	5 756 176		
21 Labor Burden	108 220	524 233	1 956 815	1 485 872	2 121 429
22 Total Personnel	468 271	2 192 824	7 712 990	4 952 907	7 071 429
23 Other Operational Costs		66 303	20 194	43 248	32 341
24 Depreciation for core activity	33 456	219 229	779 487	69 939	61 820
<b>25 Total Costs for Core Activity</b>	<b>729 220</b>	<b>3 866 289</b>	<b>25 888 471</b>	<b>14 447 961</b>	<b>22 285 089</b>
26 or <27> Profit or <Loss> Core Activity	517 725	794 741	78 025	865 802	900 209
34 Total Financial Revenues	38 040	17 976	66 296	42 136	60 582
38 Interest Expense		20 269	5 004		
40 Amortization / Provisions for Losses					
<b>41 Total Financial Costs</b>		<b>20 269</b>	<b>5 004</b>	<b>12 636</b>	<b>8 891</b>
42 or <43> Profit or <Loss> Financial Activity	38 040	(2 292)	61 292	29 500	51 692
<b>44 or &lt;45&gt; Current Profit or &lt;Loss&gt;</b>	<b>555 765</b>	<b>792 448</b>	<b>139 317</b>	<b>895 302</b>	<b>951 901</b>
46 Extraordinary Revenues	3 511	18 824	9 018	9 770	6 727
account 671 + 672 Extraordinary Costs	53 131	23 345	53 405		
a/c 687 Amortisation / Provisions for Ex Losses					
<b>47 Extraordinary Costs Total</b>	<b>53 131</b>	<b>23 345</b>	<b>53 405</b>	<b>26 260</b>	<b>30 107</b>
48 or <49> Extraordinary Profit or <Loss>	(49 620)	(4 521)	(44 386)	(16 490)	(23 380)
<b>52 or &lt;53&gt; Gross Profit or &lt;Loss&gt;</b>	<b>506 145</b>	<b>787 927</b>	<b>94 931</b>	<b>878 811</b>	<b>928 520</b>
54 Income Tax	84 921	196 285	(43 234)	281 220	297 126
55 Prepaid Tax			330 051		
<b>56 or &lt;57&gt; Net Profit or &lt;Loss&gt;</b>	<b>421 224</b>	<b>591 662</b>	<b>(191 886)</b>	<b>597 592</b>	<b>631 394</b>

69

## Financial Ratios

RAPAS Oradea	1994	1995	1996	1997	1998
<b><u>Vulnerability</u></b>					
Subsidies cover of CF from Operations	#DIV/0!		neg CF		
Subsidies cover of Payroll					
w/out labor burden					
Net CF from Ops as % of Payroll		26 9%	neg CF	8 0%	4 6%
w/out labor burden			neg CF	11 5%	6 5%
Net CF from Ops as % of Raw Materials		466 1%	neg CF	3 8%	2 3%
<b><u>Profitability</u></b>					
* Operating Profit Margin	41 5%	21 8%	3 3%	6 1%	4 1%
* Gross Margin	40 6%	16 9%	0 4%	5 7%	4 0%
<b><u>Leverage</u></b>					
* debt to assets	12 3%	6 6%	8 1%	11 7%	16 6%
w/out A/C Rec	12 5%	6 9%	8 5%	12 5%	18 2%
* debt to revenues ( core activ)	10 1%	6 7%	67 3%	91 9%	83 5%
w/out subsidies	10 1%	6 7%	67 3%	91 9%	83 5%
* net CF % of TOTAL LIABILITIES		287 1%	neg CF	1 7%	2 6%
<b><u>Liquidity</u></b>					
* current ratio	128 5%	276 2%	112 6%	121 5%	124 5%
<b><u>Turns (days)</u></b>					
	360				
* collection period	4	18	133	183	166
* days sales in cash	4	8	3	21	24
* payable period	45	4	135	195	174
<b><u>Others</u></b>					
* personnel % of total costs	64 2%	56 7%	29 8%	34 3%	31 7%
* sal % of total costs	49 4%	43 2%	22 2%	34 3%	31 7%
* subsidies % of total costs					
* subsidies % of turnover					

59

**Financial Profile  
of the  
Judet of Constanta**

**For the period from  
1993 to 1996**

**March 1997**

**Prepared Under Contract  
with the  
United States Agency for International Development**

**By  
The Urban Institute  
2100 M Street  
Washington, D C**

**East European Regional Housing Sector Assistance Project  
Project 180-0034  
U S Agency for International Development, ENI/EEUD/UDH  
Contract No EPE-0034-C-00-5110-00, RFS No 804**

## Introduction

USAID and the EBRD have been cooperating with the Government of Romania in the early development of a work plan to assist in creating a Municipal Credit Facility (MCF) that would lend to general purpose local governments (*judets* and municipalities), as well as local service enterprises (*regii*) to finance investments in infrastructure. The initial phase of that work plan involves an assessment of the existing legal and policy framework as it affects the stability of intergovernmental transfers and the ability of local governments to manage their own finances and to borrow. It also includes an analysis of the current financial condition of general purpose local governments in four urban regions to assess the credit worthiness of municipalities and *judets*, as potential borrowers from the MCF.

This Financial Profile of the *Judet* of Constanta was prepared as part of a broader analysis of the financial condition and financial management capacity of a municipality and a *judet* in each of four urban regions in Romania (Bihor, Constanța, Dâmbovița and Maramureș), as well as that of the corresponding *regii* that provide water, waste water, transport, solid waste and heating services in those regions. The analysis will contribute to an understanding of the issues that might constrain the participation of municipalities in the MCF.

The first part of the analysis looks at the financial condition of the *Judet* of Constanta, based on the actual results for the period from 1993 to 1996. The final section of the analysis attempts to look at the future financial condition of Constanta through the year 2001, although such projections should be considered as illustrative given the current state of flux of laws and regulations governing local government finances in Romania. The final part of the analysis looks at the financial condition of the *regii* that provide local infrastructure services in Constanta.

## A FINANCIAL ANALYSIS

### Overall Results

The overall financial results of the *Judet* of Constanta for the period from 1993 to 1996, as shown in Table 1, are mixed. During the first two years, the overall results were highly unstable. A large surplus in 1993 became a small deficit in 1994. In the last two years, however, the situation appears to have stabilized.

However, these results by themselves reveal little else about the finances of the *Judet* of Constanta. The following sections of this Financial Profile will attempt to provide greater insights into the financial condition of the *Judet*.

	1993	1994	1995	1996
Total Revenues	27213491	32827084	27808171	36588093
Total Expenditures	17083462	32991117	27808171	36588093
Overall Surplus (Deficit)	10,130,029	(164,033)	0	0

### Net Operating Results

This section of the analysis looks at net operating results. This is different than the overall surplus or deficit, shown above, which judets and municipalities currently calculate. That analysis looks at the difference between all revenues and all expenditures. Net operating results look only at the difference between non-investment (or operating) expenditures and non-capital (or operating) revenues.

The calculation uses the standard income and expense data reported by judets and municipalities in Annexes 12 and 14 of their quarterly and annual financial statements. These forms include all revenues and expenditures by line item for any given year, including budget and actual information. The calculation of the net operating results first requires identifying and classifying those expenditures related to the cost of administering the Judet or of providing local services. This includes as well any subsidies or transfers to other organizations, such as the *regii*, to pay for similar costs. These are the *operating expenditures* of the Judet. The second step is to isolate those revenues that are available on a continuing basis to pay for operating expenditures. These *operating revenues* include all local taxes and fees, shared national tax revenues and any operating subsidies provided by the state. They do not include non-fiscal revenues, such as the proceeds of loans or of the sale of assets, or those revenues provided by the state specifically to pay for investments. Appendix 1 explains the calculation of operating expenditures and revenues using the data available in Annexes 12 and 14 of the standard financial reports.

The net operating results of the Judet are determined by subtracting its total operating expenditures from its total operating revenues. This will produce

- A net operating surplus when recurring revenues are greater than operating expenditures
- A net operating deficit when operating expenditures are greater than recurring revenues

This is a significant result. Should the Judet want to enter into a loan or issue bonds, the operating surplus will be the amount available to pay the maturing principal and interest payments on the debt. It will largely determine the maximum amount the Judet *can* borrow. A Judet that has a current net operating deficit has no free operating revenues available for debt service. It should not consider entering into any new loans until it has taken steps to identify and address the causes of the problem.

The net operating results of the Judet of Constanta for the period from 1993 to 1996 are much more stable, suggesting that the shifts in overall results between 1993 and 1994 were caused by difficulties with the financing of investments.

An analysis of the net operating results in constant 1995 lei, as shown in Table 2, below, reveals that the net operating surplus has fluctuated very little in real terms, despite a large reduction in real terms of total operating revenues. This suggests that there has been a prudent and effective management of operating expenditures by the judet.

	1993	1994	1995	1996
Operating Revenues	39915556	28681734	18982367	16196259
Operating Expenditures	21878662	25915319	17188958	14363045
<b>Operating Surplus (Deficit)</b>	<b>18,036,894</b>	<b>2,766,415</b>	<b>1,793,409</b>	<b>1,833,214</b>

### Revenue Trends

This section of the analysis looks at how the revenues of the Judet of Constanta have changed over the period from 1993 to 1996. As shown in Table 3, below, revenues have decreased by almost 60 percent in real terms since 1993. No category of revenues increased in real terms. Two categories, state operating subsidies and own capital revenues, produced no revenues in 1996.

	1993	1994	1995	1996
Local Taxes & Fees	9181712	5233788	754147	1983384
Shared National Taxes	16495216	9944738	16920130	14212874
State Operating Subsidies	14238628	13503207	1308090	0
<b>Total Operating Revenues</b>	<b>39,915,556</b>	<b>28,681,733</b>	<b>18,982,367</b>	<b>16,196,258</b>
Own Capital Revenues	3705174	0	34537	0
State Capital Subsidies	10996900	13197534	8358241	6198772
<b>Total Capital Revenues</b>	<b>14,702,074</b>	<b>13,197,534</b>	<b>8,392,778</b>	<b>6,198,772</b>
<b>Total Revenues</b>	<b>54,617,630</b>	<b>41,879,267</b>	<b>27,375,145</b>	<b>22,395,030</b>

During the same period, as shown in Table 4, below, the composition of the operating revenues of the Judet of Constanta, that is, those revenues that are most critical to an evaluation of the borrowing capacity of the Judet, has changed dramatically. The Judet has become almost totally dependent on shared national tax revenues. State operating subsidies ended in 1995. Local taxes and fees are on a downward trend.



	1993	1994	1995	1996
Local Taxes & Fees	23 00%	18 25%	3 97%	12 25%
Shared National Taxes	41 33%	34 67%	89 14%	87 75%
State Operating Subsidies	35 67%	47 08%	6 89%	0 00%

### Expenditure Trends

This section of the analysis looks at how the expenditures of the Judet of Constanta have evolved over the period from 1993 to 1996. As shown in Table 5, below, the volume of expenditures in constant 1995 lei has more than doubled in the areas of general administration and culture since 1994. Expenditures for public works are down to nothing. Those for transport grew little since 1996. These are positive signs of prudent management of expenditures. The only question is how long the judet can continue to limit expenditure growth.

Chapter	1993	1994	1995	1996
General Administration	1 32	1 66	2 29	1 88
Education	0 00	0 00	0 00	0 00
Health	0 00	0 00	0 00	1 03
Culture and Art	7 37	12 8	15 84	12 28
Social Assistance	0 00	0 00	0 00	13
Public Works and Housing	24 19	15 53	68	46
Transportation and Communication	22 11	34 75	23 96	18 58
Other Economic Activities	0 00	0 00	0 00	0 00
Other Activities	0 20	0 22	0 36	1 5

### Debt

The Judet of Constanta has borrowed only once. In 1996, the judet obtained a loan for 32 million lei from the Treasury for cash management, which it repaid in the same year.

The Judet is not currently contemplating any future loans.

**Projections**

Table 6A shows the future net operating results for the Judet of Constanta as projected to the year 2001, based on current revenue and expenditure trends. That table shows that the Judet will have to take steps either to increase operating revenues or slow even further the growth of operating expenditures. Otherwise, it will face growing deficits starting in 1997.

Table 6B shows the future net operating results of the Judet of Constanta to the year 2001, as projected based on certain policy assumptions provided by the Judet. Those assumptions are that local taxes and fees will grow at 1.5% per year starting in 1997 and that expenditures under "other activities" will grow more slowly. Based on this scenario, the Judet will have a small surplus through 1999, but still face operating deficits toward the end of the period. This suggests again the need to identify measures to increase revenues or limit expenditure growth.

**Table 6A  
Projections - Current Trends**

**Constanta Judet**

**Actual and Projected Cash Flow**

<b>Current Trends - Constant 1995 Lei</b>	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>
<b>Recurring Revenues Total</b>	39 915 556	28 681 734	18 982 367	16 196 259	14 425 332	14 438 169	14 451 005	14 463 842	14 476 679
Of which									
<i>Local Taxes and Fees</i>	9 181 712	5 233 788	754 147	1 983 384	0	0	0	0	0
<i>Shared National Tax Revenues</i>	16 495 216	9 944 738	16 920 130	14 212 874	14 425 332	14 438 169	14 451 005	14 463 842	14 476 679
<i>State Operating Subsidies</i>	14 238 628	13 503 207	1 308 090	0	0	0	0	0	0
<b>Operating Expenditures Total</b>	21 878 662	25 915 319	17 188 958	14 363 135	16 492 546	16 778 845	17 065 144	17 351 443	17 637 742
Of which									
<i>General Administration</i>	523 596	662 026	911 288	752 520	946 366	1 039 969	1 133 573	1 227,176	1 320 779
<i>Education</i>	0	0	0	0	0	0	0	0	0
<i>Health</i>	0	0	0	414 277	414 277	538 560	662 843	787,126	911 409
<i>Culture &amp; Sports</i>	2 921 652	5 107 361	6 313 801	4 916 917	6 612 991	7 332 215	8 051 438	8 770 662	9 489 885
<i>Social Assistance</i>	0	0	0	53 504	53 504	69 555	85 607	101 658	117 709
<i>Public Works &amp; Housing</i>	9 588 216	6 195 679	270 282	184 458	0	0	0	0	0
<i>Transportation &amp; Communication</i>	8 764 913	13 860 955	9 550 670	7 439 309	7 832 188	7,003 478	6 174 768	5 346 058	4 517 349
- <i>Other Economic Activities</i>	0	0	0	0	0	0	0	0	0
<i>Other Activities</i>	80 284	89 298	142 917	601 904	633 220	795 068	956 916	1 118 764	1 280 612
<i>Interest Payments</i>	0	0	0	247	0	0	0	0	0
	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>
<b>Recurring Surplus (Deficit)</b>	18 036 894	2 766 415	1 793 409	1 833 124	(2 067 214)	(2 340 676)	(2 614 139)	(2 887 601)	(3 161 063)
<b>Non-recurring Operating Revenues Total</b>	1 967 545	73 746	433 026	924 340	157 081	0	0	0	0
Of which									
<i>Non recurring Local Operating Revenues</i>	1 967 545	73 746	433 026	924 340	157 081	0	0	0	0
<b>Net Operating Surplus (Deficit)</b>	20 004 440	2 840 161	2 226 435	2 757 464	(1 910 133)	(2 340 676)	(2 614 139)	(2 887 601)	(3 161 063)

15

**Table 6B  
Policy Scenario**

**Actual and Projected Cash Flow**

<b>Policy Scenario</b>	<b>Constant 1995 Lei</b>	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>
<b>Recurring Revenues Total</b>		39 915 556	28 681 734	18 982 367	16 196 259	16 438 467	16 481 501	16 524 987	16,568 934	16 613,347
Of which										
<i>Local Taxes and Fees</i>		9 181 712	5 233 788	754 147	1 983 384	2 013 135	2 043 332	2 073 982	2 105 092	2 136,668
<i>Shared National Tax Revenues</i>		16 495 216	9 944 738	16 920 130	14 212 874	14 425 332	14 438 169	14 451 005	14,463 842	14 476 679
<i>State Operating Subsidies</i>		14 238 628	13,503 207	1 308 090	0	0	0	0	0	0
<b>Operating Expenditures Total</b>		21 878 662	25 915 319	17 188 958	14 363 135	16 492 546	16 778 845	17 065 144	17 351 443	17 637 742
Of which										
<i>General Administration</i>		523 596	662 026	911 288	752 520	946 366	1 039 969	1 133 573	1 227 176	1 320 779
<i>Education</i>		0	0	0	0	0	0	0	0	0
<i>Health</i>		0	0	0	414 277	414 277	538 560	662 843	787 126	911 409
<i>Culture &amp; Sports</i>		2 921 652	5 107 361	6 313 801	4 916 917	6 612 991	7 332 215	8 051 438	8 770 662	9 489 885
<i>Social Assistance</i>		0	0	0	53 504	53 504	69 555	85 607	101 658	117 709
<i>Public Works &amp; Housing</i>		9 588 216	6 195 679	270 282	184 458	0	0	0	0	0
<i>Transportation &amp; Communication</i>		8 764 913	13 860 955	9 550,670	7,439 309	7 832 188	7 003 478	6 174 768	5 346 058	4 517 349
<i>Other Economic Activities</i>		0	0	0	0	0	0	0	0	0
<i>Other Activities</i>		80 284	89 298	142 917	601 904	633 220	795 068	956 916	1 118 764	1 280 612
<i>Interest Payments</i>		0	0	0	247					
<b>Recurring Surplus (Deficit)</b>		<b>18 036 894</b>	<b>2 766 415</b>	<b>1 793 409</b>	<b>1 833 124</b>	<b>(54 079)</b>	<b>(297 344)</b>	<b>(540 157)</b>	<b>(782 509)</b>	<b>(1 024 395)</b>

76

**B PROVISION OF INFRASTRUCTURE SERVICES****Organizations Responsible for Local Services**

For the Judet of Constanta infrastructure services are provided by two regii

The "Regie Autonome de apa canal," RAJA Constanta, provides water and sewerage services in the county. The "Regie Autonome de drumuri si poduri," RAJDP handles road construction and maintenance in the county.

**Net Profit (Loss)**

The net income of two regii, RAJA and RAJDP Constanta, as shown in Tables 7A and 7B, below, is variable. The net operating results of RAJA deteriorated in 1996, as a decrease in operating revenues in real terms was not offset fully by a corresponding decrease in operating costs. RAJA is expected to recover in 1997 under present conditions.

<b>Table 7A</b>				
<b>Net Profit (Loss) - RAJA</b>				
<b>Constant 1995 Lei - Thousands</b>				
	<b>1994</b>	<b>1995</b>	<b>1996 (E)</b>	<b>1997 (P)</b>
Operating Revenues	32,620,549	39,128,711	33,300,046	36,214,379
Operating Costs	30,842,654	37,292,513	32,989,750	33,995,588
Operating Profit (Loss)	1,777,895	1,836,198	310,296	2,218,791
Operating Profit (Loss) Margin	5.5%	4.7%	0.9%	6.1%
Other Revenues	214,669	233,558	117,970	173,476
Other Costs	15,099	103,010	65,455	58,979
Gross Profit (Loss)	1,977,465	1,966,746	362,811	2,333,288
Profit/Payroll Taxes Paid	644,525	601,491	330,051	496,652
<b>Net Profit (Loss)</b>	<b>1,332,940</b>	<b>1,365,255</b>	<b>32,760</b>	<b>1,836,636</b>

The net income position of RAJDP is far more positive, with high operating and gross profit margins. This makes the regie a good candidate for external financing, as net results should improve when the regie receives its share of the increase in revenues from the surcharge on gasoline, which went from 5 to 25 percent.

<b>Table 7B</b>			
<b>Net Profit (Loss) - RAJDP</b>			
Constant 1995 Lei - Thousands			
	<b>1995</b>	<b>1996 (E)</b>	<b>1997 (P)</b>
Operating Revenues	10,086,815	10,088,406	10,087,610
Operating Costs	6,751,627	8,120,968	6,925,791
Operating Profit (Loss)	3,335,188	1,967,438	3,161,819
Operating Profit (Loss) Margin	33 1%	19 5%	31 3%
Other Revenues	86,210	226,409	132,883
Other Costs	94	91	106
Gross Profit (Loss)	3,421,304	2,193,756	3,294,596
Profit/Payroll Taxes Paid	1,300,096	746,565	1,054,271
<b>Net Profit (Loss)</b>	<b>2,121,208</b>	<b>1,447,191</b>	<b>2,240,325</b>

### Net Cash Flow Analysis

The Profit and Loss Statement and the Balance Sheet of a local regie or commercial company that provides essential infrastructure services to a community present valuable information both to the managers and to the Local Councils and other interested parties such as investors and creditors. Yet, it is important to look beyond the results reported in the Profit and Loss Statement and Balance Sheet at other results that can be calculated using the information available in those statements.

Under the present conditions in the Romanian economy, it is not unusual to find commercial companies, including many local regii, with high levels of both accounts receivable and accounts payable. A growing inability to collect payments owed by clients for services provided, reflected in the increase in accounts receivable, poses a potential threat to the liquidity of many companies, including some of the regii. By and large, companies have tried to offset the loss of cash implicit in the increase in accounts receivable by a corresponding increase in accounts payable. The situation often is described as one of "financial blockage" - no-one pays anyone else. This involves serious risks. It is not sustainable over time. What might happen, for example, if a large creditor (such as RENEL) demands payment of accumulated bills? In the absence of a compensating reduction in receivables (an increase in the collection from its debtors), the commercial company or regie would face a serious cash problem that might impair its ability to continue to operate normally.

The existing situation of "financial blockage" distorts the picture of the financial condition of a company or regie, as shown in its financial statements. Assets, as shown by accounts receivable in the balance sheet, may not be what they seem. It is likely that in the future not all receivables will be recovered. Consequently, companies should be making provisions for losses from bad debts. Conversely, liabilities, as shown by accounts payable, may also be inaccurate. As companies begin to face the obligation to repay accumulated arrears, there is a potential for

late payment fees or penalties. Therefore, companies (including regii) which have a high volume of accounts payable should start introducing provisions for losses on penalties and litigation.

The most immediate problem, however, is whether the company is generating sufficient cash to ensure its continued operations. In answering this question, it is necessary to look beyond the operating results as reported in the Profit and Loss Statement to the Net Cash Flow of the company. By projecting, for the near future, the level of cash that flows through the company, the management can predict the company's cash position at every instant in time, assess liquidity risks, and prevent unpleasant moments of illiquidity. In the case of the regie, liquidity is also a concern for the Judet which has an obligation to provide a reasonable level of infrastructure services to the local community. Barring any force majeure and using good sense in estimating the risks, the trend in the ending cash position can show well in advance when a liquidity problem might arise.

#### *How We Arrive at Net Cash Flow*

The purpose of the Net Cash Flow analysis is to identify the sources and uses of cash during the accounting period. To do this, the analysis divides the operations of a company or regie into three main activity groups that cause assets to change: operations, investments and financing. Beginning with net income calculated on an accrual basis, the analysis makes a series of adjustments intended to transform net income into cash flow. The adjustments are of three types:

- Expenses not involving cash outflows are added back, e.g. depreciation, deferred taxes, increase in accounts payable and in accrued interest payable,
- Cash outflows not treated as expenses are subtracted, e.g. increase in inventory, dividends,
- Revenues not involving cash inflows are subtracted as well, e.g. increase in accounts receivable and in accrued interest earned, and gain on sale of property.<sup>1</sup>

The first activity covered in the analysis are the income and expenses related to the *operations* of the company or regie. Most expenses involve a corresponding outflow of cash. Depreciation, amortization and provisions, however, although deducted as expenses do not require the use of cash. Since they are a non-cash reduction in net income, they are added back to adjust the cash flow from operations. The same is true for the increase in accounts payable (the difference is deducted from net income but not yet paid) and the decrease in accounts receivable (similarly, this is an increase in sales for which the regie has not been paid). In addition, the increase in inventory is deducted to reflect the cash used to produce the additional inventory. This part of the analysis looks at the trends in accounts payable and accounts receivable, as well as net cash generated from operations.

The final two parts of the analysis then look at the impact on net cash flow of *investment and financing activities*. The first involves changes in a firm's long-term investments in property,

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<sup>1</sup> Whatever cash is generated by the sale of property will appear on the cash flow statement as proceeds from the sale of property under the heading "cash flow from investments." The gain (or loss) on the sale is the difference between the property's selling price and its balance sheet value when sold. Because this gain is already part of the line +/- (purchase)/sale of property, plant or equipment, showing it also as part of operating activities would amount to double-counting.

plant and equipment. These activities are not reflected in the Profit and Loss Statement but represent a use (or a source of) cash.<sup>2</sup> *Financing activities* include cash raised from debt (inflows) and cash outflows for the dividends paid.<sup>3</sup>

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<sup>2</sup> Because of little information on the changes in property plant and equipment, we assumed that all changes come from revaluation of the assets. This is a change that does not affect either the cash flow or net income.

<sup>3</sup> In the particular case of Romania and the region, we have also observed the use of unearned revenues as a way to bridge-finance the shortfall of cash at the end of the year. Similarly, this is sometimes compensated by an increase in prepaid expenses. Both are a masked form of short-term financing.



**Table 8A**  
**Cash Flow Analysis**  
**Constant 1995 Lei**

<b>RAJA Constanta</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>
Net Income	1,332,940	1,365,256	32,759	1,836,635	1,191,481
<i>Cash Flow from Operations</i>					
<b>Adjust Net Income to net cash provided by operating activities</b>					
Add back DEPRECIATION, AMORTIZATION, PROVISIONS	537,721	2,729,885	1,302,985	870,891	769,800
<b>Adjust for change in assets and liabilities</b>					
Add back increase in A/P and any other payable (including accrued liabilities and penalties)	7,794,702	3,645,617	3,209,830	1,800,000	1,155,000
Subtract increase in A/R and any other accrued receivable	(7,896,967)	(3,417,708)	(3,794,648)	(3,780,000)	(4,867,500)
Subtract increase in any of the INVENTORY	317,670	(907,722)	(241,165)	(72,000)	(66,000)
<b>Net Cash Flow from Operations</b>	<b>2,086,065</b>	<b>3,415,328</b>	<b>509,761</b>	<b>655,527</b>	<b>(1,817,220)</b>
<i>Cash Flow from Investments</i>					
-/+ (Purchase) / sales of PROPERTY, PLANT AND EQUIPMENT					
-/+ (Purchase) / sale of other INVESTMENTS					
<b>Net Cash Flow from Investments</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<i>Cash Flow from Financing</i>					
Subtract increase in PREPAID EXPENSES	(1,051,810)	237,002	(168,886)	(36,000)	(33,000)
Add increase in UNEARNED REVENUES	0	0	0	0	0
Add increase in CREDITS & LOANS	0	100,912	(67,611)	0	0
Subtract DIVIDENDS paid to the owner	(966,766)	(666,470)	(16,380)	(918,318)	(595,740)
<b>Net Cash Flow from Financing</b>	<b>(2,018,576)</b>	<b>(328,556)</b>	<b>(252,877)</b>	<b>(954,318)</b>	<b>(628,740)</b>
<b>Net Cash Flow for the Period</b>	<b>67,489</b>	<b>3,086,772</b>	<b>256,884</b>	<b>(298,791)</b>	<b>(2,445,960)</b>
<b>BEGINING Cash</b>	<b>352,033</b>	<b>419,523</b>	<b>3,506,294</b>	<b>3,763,178</b>	<b>3,464,387</b>
<b>ENDING Cash</b>	<b>419,523</b>	<b>3,506,294</b>	<b>3,763,178</b>	<b>3,464,387</b>	<b>1,018,427</b>

**Table 8B**  
**Cash Flow Analysis**  
**Constant 1996 Lei - Thousands**

<b>RAJDP Constanta</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>
Net Income	2,121,209	1,447,191	2,240,325
<i>Cash Flow from Operations</i>			
<b>Adjust Net Income to net cash provided by operating activities</b>			
Add back DEPRECIATION, AMORTIZATION, PROVISIONS	862,481	705,833	273,609
<b>Adjust for change in assets and liabilities</b>			
Add back increase in A/P and any other payable (including accrued liabilities and penalties)	(726,247)	183,093 2	179,820
Subtract increase in A/R and any other accrued receivable	(1,415,355)	(1,545,524)	(1,389,979)
Subtract increase in any of the INVENTORY	(1,414,406)	(485,495)	(385,025)
<b>Net Cash Flow from Operations</b>	<b>2,333,749</b>	<b>(604,243)</b>	<b>922,024</b>
<i>Cash Flow from Investments</i>			
-/+ (Purchase) / sales of PROPERTY, PLANT AND EQUIPMENT			
-/+ (Purchase) / sale of other INVESTMENTS			
<b>Net Cash Flow from Investments</b>	<b>0</b>	<b>0</b>	<b>0</b>
<i>Cash Flow from Financing</i>			
Subtract increase in PREPAID EXPENSES	(1,227,520)	822 438	0
Add increase in UNEARNED REVENUES	0	0	0
Add increase in CREDITS & LOANS	0	0	0
Subtract DIVIDENDS paid to the owner	(1,060,604)	(361,798)	(560,081)
<b>Net Cash Flow from Financing</b>	<b>(2,288,124)</b>	<b>460,641</b>	<b>(560,081)</b>
<b>Net Cash Flow for the Period</b>	<b>45,625</b>	<b>(143,602)</b>	<b>361,943</b>
<b>BEGINNING Cash</b>	<b>134,748</b>	<b>180,373</b>	<b>36,770</b>
<b>ENDING Cash</b>	<b>180,373</b>	<b>36,770</b>	<b>398,713</b>

**Net Cash Flow Actual to Date***Trends in Accounts Receivable*

The accounts receivable of RAJA have increased significantly, averaging a growth of approximately 3.5 billion lei per year in constant 1995 terms. The largest increase occurred in 1994, when receivables jumped by 7.9 billion lei. Increasingly, private households are the main debtors. In 1996, households accounted for 60 percent of receivables, as compared to 40 percent in 1994. Arrears in some blocks of flats have reached average levels of 70 to 80 million lei.

The pattern with RAJDP is similar, but far less dramatic. Arrears have increased by about 1.5 billion lei per year.

*Trends in Accounts Payable*

Both regiï have offset the impact of growing receivables by a corresponding increase in accounts payable. RAJDP provided a positive exception to this trend in 1996 by paying down part of the accumulated debts in 1996. RENEL, through its local subsidiaries, accounts for 95% of all payables owed by RAJA.

*Net Cash Flow*

Because of the parallel increase in accounts receivable and payable, the net cash flow of both RAJA and RAJDP generally follows the pattern of net income. RAJA had a positive cash flow from operations as well as a net overall between 1994 and 1996. RAJDP had a negative cash flow from operations in 1996, which is explained fully by the decrease of over 700 million lei in accounts payable. While causing short-term cash constraints, this was a positive step taken by the management of the regiï.

Both regiï are in reasonable financial condition, with a high current ratio and acceptable debt to asset ratios. The condition of RAJDP should continue to improve when it begins to receive its share of the increase in the surcharge on the price of gasoline, which jumped from 5 to 25 percent. Barring a significant improvement in the collection of payments by water consumers, RAJA could begin facing a negative net cash flow as early as 1997.

**Impact on Finances of the Judet**

Tables 9A and 9B, below, show the flow of funds between the Judet and the two regiï, RAJA and RAJDP Constanta, respectively. As indicated by the figures in the tables, both have made a net contribution to the budget of the Judet. The distribution of profits from RAJA to the Judet and the Judet's share of taxes paid by the regiï represented one-third of the Judet's revenues in 1994. The relative weight of the net flow from the regiï to the Judet has decreased steadily since that date. The two together accounted for less than 8 percent of Judet revenues in 1996.

<b>Table 9A</b>			
<b>Flow of Funds</b>			
<b>Judet - RAJA Constanta</b>			
	<b>1994</b>	<b>1995</b>	<b>1996</b>
From Judet to RAJA Constanta	0	0	0
State Subsidies	0	0	0
Other	0	0	0
From RAJA Constanta to Judet	3,762,667	4,091,544	2,556,893
Income and Sales Tax Revenues	3,096,197	3,408,916	2,540,513
Distribution of Profits	666,470	682,628	16,380
<b>Net To (From) Judet</b>	<b>3,762,667</b>	<b>4,091,544</b>	<b>2,556,893</b>
Net as Percent of Revenues (Expenditures)	33 7%	10 0%	3 8%

<b>Table 9B</b>			
<b>Flow of Funds</b>			
<b>Judet - RAJDP Constanta</b>			
	<b>1994</b>	<b>1995</b>	<b>1996</b>
From Judet to RAJDP Constanta	0	0	0
State Subsidies	0	0	0
Other	0	0	0
From RAJA and RAJDP Constanta to Judet	0	2,761,704	1,483,472
Income and Sales Tax Revenues	n/a	1,698,010	759,876
Distribution of Profits	n/a	1,063,694	723,596
<b>Net To (From) Judet</b>	<b>0</b>	<b>2,761,704</b>	<b>1,483,472</b>
Net as Percent of Revenues (Expenditures)	n/a	9 9%	4 1%

## APPENDIX I - DEFINITIONS

<b>1996 Code</b>	<b>Category/Sub Category</b>
	<b>Recurring Revenues</b>
	of which
	Local Taxes and Fees
	Shared National Salary Tax Revenues
	State Operating Subsidies
	<b>Local Taxes and Fees</b>
	of which
01 02	Taxes on Profits of Regu
03 02	Taxes and Fees on Individuals
04 02	Fees for Use of State Property
05 02	Corporate Property Tax
06 02	Corporate Vehicle Fees
07 02	Tax on Revenues from Agriculture
08 02	Other Direct Taxes
17 02	Other Indirect Taxes
	<b>Shared National Tax Revenues</b>
	of which
34 02	Shared National Salary Tax Revenues
	<b>State Operating Subsidies</b>
	of which
37 02 01	Subsidies for Social Assistance, Heating & Public Transport
	<b>Non-Recurring Revenues</b>
	of which
	Non-Recurring Local Operating Revenues
	Local Capital Revenues
	Other Capital Revenues
	<b>Non-Recurring Local Operating Revenues</b>
	of which
15 02	Entertainment Fees
20 02	Distribution from Profits of Regu
21 02	Revenues from Public Institutions
22 02	Other Various Revenues
40 02	Donations
	<b>Local Capital Revenues</b>
	of which
30 02	Proceeds from the Sale of Public Property & Housing
45 02	Proceeds of Short-term Loans
	<b>Other Capital Revenues</b>
	of which
37 02 02	State Capital Investment Subsidies
37 02 03	Capital Investment Subsidies from External Loans
46 02	Proceeds of Loans from Revolving Funds

**Appendix II**

**Detailed Financial Information on the  
Judet of Constanta**

**Standard Data Set**

<b>Constanta Judet</b>				
<b>Line Revenues - Actual at Year End</b>	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>
<b>0 Total Revenues</b>	27 213 491	32 827 084	27 808 171	36 588 093
Change in Total Revenues (current year/previous year)		1 21	0 85	1 32
<b>1 Local Taxes and Fees Recurring</b>	4,415 758	4,095 296	754 147	3 111 930
<b>2 Non Recurring Local Operating Revenues</b>	946 251	57 704	433 026	1 450 290
<b>3 Local Capital Revenues</b>	1 781 928	0	34 537	0
<b>4 Of which Proceeds from the sale of public property</b>	8 264	0	2 454	0
<b>5 Shared National Tax Revenues</b>	7 933 039	7 781 485	16 920 130	22 300 000
<b>6 State Operating Subsidies</b>	6 847 779	10 565 890	1 308 090	0
<b>7 Other Capital Revenues</b>	5,288 736	10 326 709	8 358 241	9 725 873
<b>8 Total Recurring Revenues (Line 1+5+6)</b>	19 196 576	22 442,671	18 982 367	25 411 930
Change in Recurring Revenues (current year/previous year)		1 17	0 85	1 34
<b>9 Total Non Recurring Revenues (Line 2+3+7)</b>	8,016 915	10 384 413	8 825 804	11 176 163
<b>10 Verify Line 0 = Sum (Line 8+9)</b>	27 213 491 OK	32 827 084 OK	27 808 171 OK	0 OK
 <b>Revenues - Initial Approved Budget</b>				
<b>11 Total Revenue Budget</b>	27 552 942	35,637 067	31,840 505	39 023 450
<b>12 Local Revenues and Fees</b>	4 396 800	5 464 715	1 821 000	4 532 150
<b>13 Shared National Tax Revenues</b>	7 934 442	7 812 952	16 920 130	20 200 000
<b>14 State Operating Subsidies</b>	6 981 000	11 215 500	1 347 465	0
<b>15 Recurring Revenue Budget (Line 12+13+14)</b>	19 312 242	24 493 167	20 088 595	24 732 150

87

## Standard Data Set

### Constanta Judet

Expenditures - Actual at Year End	1993	1994	1995	1996
16 Administrative Expenses General Administration	251 813	518 017	911 288	1 180 704
17 Subsidies and Transfers General Administration	0	0	0	0
18 Capital Expenditures General Administration	22 693	54 687	49 143	87,087
19 Administrative Expenses Education	0	0	0	0
20 Subsidies and Transfers Education	0	0	0	0
21 Capital Expenditures Education	0	0	0	0
22 Administrative Expenses Health	0	0	0	650 000
23 Subsidies and Transfers Health	0	0	0	0
24 Capital Expenditures Health	0	0	0	0
25 Administrative Expenses Culture & Sports	172 894	3 793 875	0	0
26 Subsidies and Transfers Culture & Sports	1,232 215	202 495	6 313 801	7,714 642
27 Capital Expenditures Culture & Sports	237 568	1 080 212	0	584 077
28 Administrative Expenses Social Assistance	0	0	0	83 948
29 Subsidies and Transfers Social Assistance	0	0	0	0
30 Capital Expenditures Social Assistance	0	0	0	9 948
31 Administrative Expenses Public Works & Housing	0	244 006	270 282	289 414
32 Subsidies and Transfers Public Works & Housing	4 611 258	4 603 943	0	0
33 Capital Expenditures Public Works & Housing	5 206 056	9 499 259	6 414 501	9 325 870
34 Administrative Expenses Transportation & Communication	1 872 487	4 083 001	6 700 000	11 672 276
35 Subsidies and Transfers Transportation & Communication	2 342 820	6 762 817	2 850 670	0
36 Capital Expenditures Transportation & Communication	1 095 047	2 062 091	3 928 800	3 714 866
37 Administrative Expenses Other Economic Activities	0	0	0	0
38 Subsidies and Transfers Other Economic Activities	0	0	0	0
39 Capital Expenditures Other Economic Activities	0	0	0	0
40 Administrative Expenses Other Activities	38 611	69 873	142 917	944 387
41 Subsidies and Transfers Other Activities	0	0	0	0
42 Capital Expenditures Other Activities	0	16 841	226 769	298 544
<b>Operating Expenditures by Chapter</b>				
43 General Administration Oper Exp (Line 16+17)	251 813	518 017	911 288	1 180 704
44 Education Oper Exp (Line 19+20)	0	0	0	0
45 Health Oper Exp (Line 22+23)	0	0	0	650 000
46 Culture & Sports Oper Exp (Line 25+26)	1 405 109	3 996 370	6 313 801	7 714 642
47 Social Assistance Oper Exp (Line 28+29)	0	0	0	83 948
48 Public Works & Housing Oper Exp (Line 31+32)	4 611 258	4 847 949	270 282	289 414
49 Transportation & Communication Oper Exp (Line 34+35)	4 215 307	10 845 818	9 550 670	11 672 276
50 Other Economic Activities Oper Exp (Line 37+38)	0	0	0	0
51 Other Activities Oper Exp (Line 40+41)	38 611	69 873	142 917	944 387

98



**Standard Data Set**

**Constanta Judet**

<b>Expenditures - Actual at Year End</b>	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>
<b>52 Total Operating Expenditures (Line 53+54+55)</b>	10 522 098	20 278 027	17 188 958	22,535 618
Of which Change in Operating Expenditures (current year/previous year)		1 93	0 85	1 31
<b>53 Total Administrative Expenses (Line 16+19+22+25+28+31+34+37+40)</b>	2 335 805	8 708 772	8 024 487	14 820 729
<b>54 Total Subsidies &amp; Transfers (Line 17+20+23+26+29+32+35+38+41)</b>	8 186 293	11 569 255	9 164 471	7 714 642
<b>55 Interest Payments</b>	0	0	0	247
<b>56 Total Capital Expenditures (Line 18+21+24+27+30+33+36+39+42)</b>	6 561 364	12 713 090	10 619,213	14 020 392
<b>57 Other Payments (Line 58+59+60)</b>	0	0	0	32 083
Of which				
<b>58 Principal Repayments</b>	0	0	0	32 083
<b>59 Set Aside for Reserves</b>	0	0	0	0
<b>60 Distribution of Surplus</b>	0	0	0	0
<b>61 Total Annual Debt Service (Principal+Interest Payments)</b>	0	0	0	32 330
<b>62 Total Expenditures</b>	17 083 462	32,991 117	27 808 171	36 588,093
	17 083 462	32,991 117	27 808 171	0
<b>63 Verify Line 62 = Sum (Line 52+56+57)</b>	OK	OK	OK	OK
<b>Expenditures - Initial Approved Budget</b>	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>
<b>64 Operating Expenditure Budget</b>	10 573 072	21 677 833	17 890 505	0
<b>65 Capital Expenditure Budget</b>	6 584 900	13,966 650	13 950 000	0
<b>Other Non-Financial Data</b>				
<b>66 Total Local Government Employees (Municipal or Judet)</b>	0	0	0	162
<b>67 Total Population (Municipality or Judet)</b>	396 360	398 866	398 570	400 292
<b>68 Year to Year Inflation</b>	296 0%	62 7%	27 8%	56 9%
<b>69 Deflator (Base Year = 1995)</b>	2 08	1 28	1 00	0 64

59  
69

## Indicators

<b>Constanta Judet</b>				
<b>Financial Performance Indicators</b>	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>
<i>Key Revenue Indicators</i>				
1 - Recurring Revenues/Total Revenues	0 71	0 68	0 68	0 69
2 - Shared National Tax Revenues/Recurring Revenues	0 41	0 35	0 89	0 88
3 - State Operating Subsidies/Recurring Revenues	0 36	0 47	0 07	0 00
4 Local Taxes & Fees/Recurring Revenues	0 23	0 18	0 04	0 12
5 Proceeds from Asset Sales/Total Revenues	0 00	0 00	0 00	0 00
<i>Key Expenditure Indicators</i>				
6 Total Expenditures Per Capita (1000 lei)	43 10	82 71	69 77	91 40
7 Operating Expenditures Per Capita (1000 lei)	26 55	50 84	43 13	56 30
8 Operating Expenditures/Total Expenditures	0 62	0 61	0 62	0 62
9 Capital Expenditures/Total Expenditures	0 38	0 39	0 38	0 38
<i>Key Indicators of Net Results</i>				
10 - Total Expenditures/Total Revenues	0 63	1 00	1 00	1 00
11 Operating Expenditures/Recurring Revenues	0 55	0 90	0 91	0 89
12 Recurring Surplus/Shared National Tax Revenues	1 09	0 28	0 11	0 13
13 - Recurring Surplus/Local Taxes & Fees	1 96	0 53	2 38	0 92
<i>Key Actual to Budget Performance Indicators</i>				
14 - Actual Revenues/Initial Revenue Budget	0 99	0 92	0 87	0 94
15 Actual Recurring Revenues/Initial Recurring Revenue Budget	0 99	0 92	0 94	1 03
16 Actual Local Taxes and Fees/Local Taxes and Fees Budget	1 00	0 75	0 41	0 69
17 Actual Shared National Tax Revenues/National Tax Budget	1 00	1 00	1 00	1 10
18 Actual Expenditures/Initial Expenditure Budget	1 00	0 93	0 87	#DIV/0!
19 Actual Operating Expenditures/Initial Operating Expenditure Budget	1 00	0 94	0 96	#DIV/0!
20 Actual Capital Expenditures/Initial Capital Expenditure Budget	1 00	0 91	0 76	#DIV/0!

ob

## Indicators

### Constanta Judet

<i>Key Relative Performance Indicators</i>	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>
<b>21</b> - Change in Recurring Revenues /Change in Total Revenues	n/a	0 97	1 00	1 02
<b>22</b> - Change in Operating Expenditures/Change in Recurring Revenues	n/a	1 65	1 00	0 98
 <i>Key Debt Service Indicators</i>				
<b>23</b> Total Annual Debt Service/Recurring Revenues	0 00	0 00	0 00	0 00
<b>24</b> Interest Payments/Recurring Revenues	0 00	0 00	0 00	0 00
<b>25</b> - Total Annual Debt Service/Recurring Surplus before Interest Payments	0 00	0 00	0 00	0 01
<b>26</b> Max Future Debt Service/Recurring Surplus before Interest Payments	1 19	4 49	5 42	0 00
 <i>Operating Expenditure Indicators by Chapter (1000 lei)</i>				
<b>27</b> General Administration Expenditures/Per Capita	0 64	1 30	2 29	2 95
<b>28</b> Education Expenditures/Per Capita	0 00	0 00	0 00	0 00
<b>29</b> - Health Expenditures/Per Capita	0 00	0 00	0 00	1 62
<b>30</b> - Culture & Sports Expenditures/Per Capita	3 55	10 02	15 84	19 27
<b>31</b> Social Assistance Expenditures/Per Capita	0 00	0 00	0 00	0 21
<b>32</b> - Public Works & Housing Expenditures/Per Capita	11 63	12 15	0 68	0 72
<b>33</b> - Transportation Expenditures/Per Capita	10 64	27 19	23 96	29 16
<b>34</b> - Other Economic Expenditures/Per Capita	0 00	0 00	0 00	0 00
<b>35</b> - Other Expenditures/Per Capita	0 10	0 18	0 36	2 36
 <i>Operating Expenditure Indicators by Chapter (Constant 1995, 1000 Lei)</i>				
<b>36</b> - General Administration Expenditures/Per Capita	1 32	1 66	2 29	1 88
<b>37</b> - Education Expenditures/Per Capita	0 00	0 00	0 00	0 00
<b>38</b> Health Expenditures/Per Capita	0 00	0 00	0 00	1 03
<b>39</b> Culture & Sports Expenditures/Per Capita	7 37	12 80	15 84	12 28
<b>40</b> Social Assistance Expenditures/Per Capita	0 00	0 00	0 00	0 13
<b>41</b> Public Works & Housing Expenditures/Per Capita	24 19	15 53	0 68	0 46
<b>42</b> - Transportation Expenditures/Per Capita	22 11	34 75	23 96	18 58
<b>43</b> - Other Economic Expenditures/Per Capita	0 00	0 00	0 00	0 00
<b>44</b> - Other Expenditures/Per Capita	0 20	0 22	0 36	1 50

## Indicators

### Constanta Judet

<b>Actual Net Operating Results</b>	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>
<b>Recurring Revenues Total</b>	19,196,576	22,442,671	18,982,367	25,411,930
Of which				
- Local Taxes and Fees	4,415,758	4,095,296	754,147	3,111,930
- Shared National Tax Revenues	7,933,039	7,781,485	16,920,130	22,300,000
State Operating Subsidies	6,847,779	10,565,890	1,308,090	0
<b>Operating Expenditures Total</b>	10,522,098	20,278,027	17,188,958	22,535,618
Of which				
General Administration	251,813	518,017	911,288	1,180,704
Education	0	0	0	0
Health	0	0	0	650,000
Culture & Sports	1,405,109	3,996,370	6,313,801	7,714,642
- Social Assistance	0	0	0	83,948
Public Works & Housing	4,611,258	4,847,949	270,282	289,414
Transportation & Communication	4,215,307	10,845,818	9,550,670	11,672,276
Other Economic Activities	0	0	0	0
Other Activities	38,611	69,873	142,917	944,387
Interest Payments	0	0	0	247
<b>Recurring Surplus (Deficit)</b>	8,674,478	2,164,644	1,793,409	2,876,312
<b>Non-recurring Operating Revenues Total</b>	946,251	57,704	433,026	1,450,290
Of which				
Non recurring Local Operating Revenues	946,251	57,704	433,026	1,450,290
<b>Net Operating Surplus (Deficit)</b>	9,620,729	2,222,348	2,226,435	4,326,602

## Indicators

### Constanta Judet

	1993	1994	1995	1996
<b>Capital Revenues Total</b>	7,070,664	10,326,709	8,392,778	9,725,873
Of which				
Local Capital Revenues	1,781,928	0	34,537	0
State Capital Subsidies	5,288,736	10,326,709	8,358,241	9,725,873
<b>Total Funds Available for Investments</b>	16,691,393	12,549,057	10,619,213	14,052,475
<b>Capital Expenditures Total by Chapter</b>	6,561,364	12,713,090	10,619,213	14,020,392
<i>General Administration</i>	22,693	54,687	49,143	87,087
<i>Education</i>	0	0	0	0
<i>Health</i>	0	0	0	0
<i>Culture &amp; Sports</i>	237,568	1,080,212	0	584,077
<i>Social Assistance</i>	0	0	0	9,948
<i>Public Works &amp; Housing</i>	5,206,056	9,499,259	6,414,501	9,325,870
<i>Transportation &amp; Communication</i>	1,095,047	2,062,091	3,928,800	3,714,866
<i>Other Economic Activities</i>	0	0	0	0
<i>Other Activities</i>	0	16,841	226,769	298,544
<b>Overall Surplus (Deficit)</b>	10,130,029	(164,033)	0	32,083
<b>Minus Other Payments Total</b>	0	0	0	32,083
Of which				
<i>Principal Repayments</i>	0	0	0	32,083
<i>Set Aside for Reserves</i>	0	0	0	0
<i>Distribution of Surplus</i>	0	0	0	0
Verify Overall Surplus (Deficit) minus Other Payments = 0	Error	Error	OK	OK

## Indicators

### Constanta Judet

#### Actual Net Operating Results - Constant 1995 lei

	1993	1994	1995	1996
<b>Recurring Revenues Total</b>	39,915,556	28,681,734	18,982,367	16,196,259
Of which				
<i>Local Taxes and Fees</i>	9,181,712	5,233,788	754,147	1,983,384
- <i>Shared National Tax Revenues</i>	16,495,216	9,944,738	16,920,130	14,212,874
- <i>State Operating Subsidies</i>	14,238,628	13,503,207	1,308,090	0
<b>Operating Expenditures Total</b>	21,878,662	25,915,319	17,188,958	14,363,045
Of which				
<i>General Administration</i>	523,596	662,026	911,288	752,520
- <i>Education</i>	0	0	0	0
<i>Health</i>	0	0	0	414,277
- <i>Culture &amp; Sports</i>	2,921,652	5,107,361	6,313,801	4,916,917
<i>Social Assistance</i>	0	0	0	53,504
- <i>Public Works &amp; Housing</i>	9,588,216	6,195,679	270,282	184,458
<i>Transportation &amp; Communication</i>	8,764,913	13,860,955	9,550,670	7,439,309
<i>Other Economic Activities</i>	0	0	0	0
<i>Other Activities</i>	80,284	89,298	142,917	601,904
<i>Interest Payments</i>	0	0	0	157
<b>Recurring Surplus (Deficit)</b>	18,036,894	2,766,415	1,793,409	1,833,214
<b>Non-recurring Operating Revenues Total</b>	1,967,545	73,746	433,026	924,340
Of which				
<i>Non recurring Local Operating Revenues</i>	1,967,545	73,746	433,026	924,340
<b>Net Operating Surplus (Deficit)</b>	20,004,440	2,840,161	2,226,435	2,757,554

94

## Indicators

### Constanta Judet

	1993	1994	1995	1996
<b>Capital Revenues Total</b>	14,702,074	13,197,534	8,392,778	6,198,772
Of which				
- Local Capital Revenues	3,705,174	0	34,537	0
- State Capital Subsidies	10,996,900	13,197,534	8,358,241	6,198,772
<b>Total Funds Available for Investments</b>	34,706,514	16,037,695	10,619,213	8,956,326
<b>Capital Expenditures Total by Chapter</b>	13,643,084	16,247,329	10,619,213	8,935,878
<i>General Administration</i>	47,186	69,890	49,143	55,505
<i>Education</i>	0	0	0	0
<i>Health</i>	0	0	0	0
- <i>Culture &amp; Sports</i>	493,977	1,380,511	0	372,261
<i>Social Assistance</i>	0	0	0	6,340
- <i>Public Works &amp; Housing</i>	10,824,983	12,140,053	6,414,501	5,943,830
<i>Transportation &amp; Communication</i>	2,276,938	2,635,352	3,928,800	2,367,665
<i>Other Economic Activities</i>	0	0	0	0
<i>Other Activities</i>	0	21,523	226,769	190,277
<b>Overall Surplus (Deficit)</b>	21,063,430	(209,634)	0	20,448

## Projections

**Constanta Judet**

**Actual and Projected Cash Flow**

**Current Trends - Constant 1995 Lei**

	1993	1994	1995	1996	1997	1998	1999	2000	2001
<b>Recurring Revenues Total</b>	39 915 556	28 681 734	18 982 367	16 196 259	14 425 332	14 438 169	14 451 005	14 463 842	14 476 679
Of which									
<i>Local Taxes and Fees</i>	9 181 712	5 233 788	754 147	1 983 384	0	0	0	0	0
<i>Shared National Tax Revenues</i>	16 495 216	9 944 738	16 920 130	14 212 874	14 425 332	14 438 169	14 451 005	14 463 842	14 476 679
<i>State Operating Subsidies</i>	14 238 628	13 503 207	1 308 090	0	0	0	0	0	0
<b>Operating Expenditures Total</b>	21 878 662	25 915 319	17 188 958	14 363 135	16 492 546	16 778 845	17 065 144	17 351 443	17 637 742
Of which									
<i>General Administration</i>	523 596	662 026	911 288	752 520	946 366	1 039 969	1 133 573	1 227 176	1 320 779
<i>Education</i>	0	0	0	0	0	0	0	0	0
<i>Health</i>	0	0	0	414 277	414 277	538 560	662 843	787 126	911 409
<i>Culture &amp; Sports</i>	2 921 652	5 107 361	6 313 801	4 916 917	6 612 991	7 332 215	8 051 438	8 770 662	9 489 885
<i>Social Assistance</i>	0	0	0	53 504	53 504	69 555	85 607	101 658	117 709
<i>Public Works &amp; Housing</i>	9 588 216	6 195 679	270 282	184 458	0	0	0	0	0
<i>Transportation &amp; Communication</i>	8 764 913	13 860 955	9 550 670	7 439 309	7 832 188	7 003 478	6 174 768	5 346 058	4 517 349
<i>Other Economic Activities</i>	0	0	0	0	0	0	0	0	0
<i>Other Activities</i>	80 284	89 298	142 917	601 904	633 220	795 068	956 916	1 118 764	1 280 612
<i>Interest Payments</i>	0	0	0	247	0	0	0	0	0
<b>Recurring Surplus (Deficit)</b>	18 036 894	2 766 415	1 793 409	1 833 124	(2 067 214)	(2 340 676)	(2 614 139)	(2 887 601)	(3 161 063)
<b>Non recurring Operating Revenues Total</b>	1 967 545	73 746	433 026	924 340	157 081	0	0	0	0
Of which									
<i>Non recurring Local Operating Revenues</i>	1 967 545	73 746	433 026	924 340	157 081	0	0	0	0
<b>Net Operating Surplus (Deficit)</b>	20 004 440	2 840 161	2 226 435	2 757 464	(1 910 133)	(2 340 676)	(2 614 139)	(2 887 601)	(3 161 063)



## Projections

**Constanta Judet**

**Actual and Projected Cash Flow**

**Policy Scenario Constant 1995 Lei**

	1993	1994	1995	1996	1997	1998	1999	2000	2001
<b>Recurring Revenues Total</b>	39 915 556	28 681 734	18 982 367	16 196 259	16 438 467	16 481 501	16 524 987	16 568 934	16 613 347
Of which									
<i>Local Taxes and Fees</i>	9 181 712	5 233 788	754 147	1 983 384	2 013 135	2 043 332	2 073 982	2 105 092	2 136 668
<i>Shared National Tax Revenues</i>	16 495 216	9 944 738	16 920 130	14 212 874	14 425 332	14 438 169	14 451 005	14 463 842	14 476 679
<i>State Operating Subsidies</i>	14 238 628	13 503 207	1 308 090	0	0	0	0	0	0
<b>Operating Expenditures Total</b>	21 878 662	25 915 319	17 188 958	14 363 135	16 492 546	16 778 845	17 065 144	17 351 443	17 637 742
Of which									
<i>General Administration</i>	523 596	662 026	911 288	752 520	946 366	1 039 969	1 133 573	1 227 176	1 320 779
<i>Education</i>	0	0	0	0	0	0	0	0	0
<i>Health</i>	0	0	0	414 277	414 277	538 560	662 843	787 126	911 409
<i>Culture &amp; Sports</i>	2 921 652	5 107 361	6 313 801	4 916 917	6 612 991	7 332 215	8 051 438	8 770 662	9 489 885
<i>Social Assistance</i>	0	0	0	53 504	53 504	69 555	85 607	101 658	117 709
<i>Public Works &amp; Housing</i>	9 588 216	6 195 679	270 282	184 458	0	0	0	0	0
<i>Transportation &amp; Communication</i>	8 764 913	13 860 955	9 550 670	7 439 309	7 832 188	7 003 478	6 174 768	5 346 058	4 517 349
<i>Other Economic Activities</i>	0	0	0	0	0	0	0	0	0
<i>Other Activities</i>	80 284	89 298	142 917	601 904	633 220	795 068	956 916	1 118 764	1 280 612
<i>Interest Payments</i>	0	0	0	247					
<b>Recurring Surplus (Deficit)</b>	18 036 894	2 766 415	1 793 409	1 833 124	(54 079)	(297 344)	(540 157)	(782 509)	(1 024 395)

99

## Projections

<b>Constanta Judet</b>									
<b>Policy Scenario Assumptions</b>	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>
<b>Percent (%) Change In Real Terms by Year</b>									
<b>Recurring Revenues Total</b>									
Of which									
Local Taxes and Fees	n/a	n/a	n/a		0 015	0 015	0 015	0 015	0 015
Shared National Tax Revenues	n/a	n/a	n/a						
State Operating Subsidies	n/a	n/a	n/a						
<b>Operating Expenditures Total</b>									
Of which									
General Administration	n/a	n/a	n/a						
Education	n/a	n/a	n/a						
Health	n/a	n/a	n/a						
Culture & Sports	n/a	n/a	n/a						
Social Assistance	n/a	n/a	n/a						
Public Works & Housing	n/a	n/a	n/a						
Transportation & Communication	n/a	n/a	n/a						
Other Economic Activities	n/a	n/a	n/a						
Other Activities	n/a	n/a	n/a						

Do you think that changes in policy may create new trends for future revenues and expenditures? If so enter in decimal form what you estimate to be the percent change- in real t not inflationary change. You can enter positive or negative percents for each category of revenues and expenditures in the above section. These percents will modify the projection in the policy scenario section. If no percent is entered the value in the policy scenario will be the same as that in the computer trends. If zero is entered the value of that category will be the same as in the previous year (in constant lei). You can compare the projections made by the computer in the trend section with your projections in the policy scenario.

	<b>Principal</b>	<b>Interest Rate</b>	<b>Term (In Years)</b>	<b>Fx Rate</b>
<i>Assume Loan</i>				
<i>Interest Payments</i>	n/a	n/a	n/a	n/a

88

**Appendix III**

**Detailed Financial Information on the  
RAJA and RAJDP Constanta  
Judet of Constanta**

**Net Cash Flow Analysis**  
Constant 1995 Lei

RAJDP Constanta	1995	1996	1997	1998
Net Income	2,127,388	1,447,191	2,240,325	3,295,811
<i>Cash Flow from Operations</i>				
<b>Adjust Net Income to net cash provided by operating activities</b>				
Add back DEPRECIATION, AMORTIZATION, PROVISIONS	862,481	705,833	273,609	241,849
<b>Adjust for change in assets and liabilities</b>				
Add back increase in A/P and any other payable (including accrued liabilities and penalties)	2,179,820	(726,247)	183,093	245,728
Subtract increase in A/R and any other accrued receivable	(1,415,355)	(1,545,524)	(1,389,979)	(1,581,222)
Subtract increase in any of the INVENTORY	(1,414,406)	(485,495)	(385,025)	(529,409)
<b>Net Cash Flow from Operations</b>	<b>2,339,928</b>	<b>(604,243)</b>	<b>922,024</b>	<b>1,672,757</b>
<i>Cash Flow from Investments</i>				
-/+ (Purchase) / sales of PROPERTY, PLANT AND EQUIPMENT				
-/+ (Purchase) / sale of other INVESTMENTS				
<b>Net Cash Flow from Investments</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<i>Cash Flow from Financing</i>				
Subtract increase in PREPAID EXPENSES	(1,227,520)	822,438	0	0
Add increase in UNEARNED REVENUES	0	0	0	0
Add increase in CREDITS & LOANS	0	0	0	0
Subtract DIVIDENDS paid to the owner	(1,063,694)	(361,798)	(560,081)	(1,647,905)
<b>Net Cash Flow from Financing</b>	<b>(2,291,214)</b>	<b>460,641</b>	<b>(560,081)</b>	<b>(1,647,905)</b>
<b>Net Cash Flow for the Period</b>	<b>48,714</b>	<b>(143,602)</b>	<b>361,943</b>	<b>24,852</b>
<b>BEGINING Cash</b>	<b>134,748</b>	<b>183,462</b>	<b>39,860</b>	<b>401,803</b>
<b>ENDING Cash</b>	<b>183,462</b>	<b>39,860</b>	<b>401,803</b>	<b>426,655</b>

## Profit and Loss

	TOTAL1995	TOTAL1996	TOTAL1997	TOTAL1998
<b>FINANCIAL RESULTS RAJDP Constanta</b>	1 00	0 67	0 36	0 33
1 Revenues from goods (merchandise) sold				
2 Revenues from Core Activity	9 898 578	9 876 148	9 887 362	12 953 794
3 Turnover	9 898 578	9 876 148	9 887 362	12 953 794
4 or <5> Inventories evaluated	186 660	210 322	198 491	237 174
6 Assets in Process evaluated				
7 Total Production	10 085 238	10 086 469	10 085 853	13 190 968
8 Subventions for Core Activity				
9 Other Revenues	1 577	1 937	1 757	1 847
10 <u>Rev from Provisions for Core Activity</u>				
<b>11 Total Revenues Core Activity</b>	<b>10 086 815</b>	<b>10 088 406</b>	<b>10 087 610</b>	<b>13 192 815</b>
12 Merchandise				
13 Raw Materials	2 217 397	2 385 136	2 607 091	3 338 739
14 Consumables	1 018 988	1 712 178		
15 Energy and Water	33 089	55 423		
16 Other Materials	11 089	15 531		
17 Total Materials	3 280 563	4 168 268	3 724 415	4 769 626
18 Other Costs	1 095 640	1 020 127	1 057 883	1 164 230
19 Taxes	26 254	55 734	40 994	48 714
20 Personnel	1 115 079	1 623 809	1 280 223	1 592 228
21 Labor Burden	371 680	547 231	548 667	682 383
22 Total Personnel	1 486 739	2 171 040	1 828 889	2 274 611
23 Other Operational Costs				
24 <u>Depreciation for core activity</u>	862 431	705 799	273 609	241 849
<b>25 Total Costs for Core Activity</b>	<b>6 751 627</b>	<b>8 120 968</b>	<b>6 925 791</b>	<b>8 499 030</b>
<b>26 or &lt;27&gt; Profit or &lt;Loss&gt; Core Activity</b>	<b>3 335 188</b>	<b>1 967 438</b>	<b>3 161 819</b>	<b>4 693 785</b>
<b>34 Total Financial Revenues</b>	<b>36 455</b>	<b>100 850</b>	<b>68 653</b>	<b>89 050</b>
38 Interest Expense				
40 <u>Amortization / Provisions for Losses</u>				
<b>41 Total Financial Costs</b>	<b>44</b>	<b>58</b>	<b>73</b>	<b>72</b>
<b>42 or &lt;43&gt; Profit or &lt;Loss&gt; Financial Activity</b>	<b>36 411</b>	<b>100 792</b>	<b>68 580</b>	<b>88 978</b>
<b>44 or &lt;45&gt; Current Profit or &lt;Loss&gt;</b>	<b>3 371 599</b>	<b>2 068 230</b>	<b>3 230 399</b>	<b>4 782 763</b>
<b>46 Extraordinary Revenues</b>	<b>49 755</b>	<b>125 559</b>	<b>64 231</b>	<b>64 040</b>
account 671 + 672 Extraordinary Costs				
a/c 687 <u>Amortisation / Provisions for Ex Losses</u>	50	34		
<b>47 Extraordinary Costs Total</b>	<b>50</b>	<b>34</b>	<b>34</b>	<b>22</b>
<b>48 or &lt;49&gt; Extraordinary Profit or &lt;Loss&gt;</b>	<b>49 705</b>	<b>125 526</b>	<b>64 197</b>	<b>64 018</b>
<b>52 or &lt;53&gt; Gross Profit or &lt;Loss&gt;</b>	<b>3 421 304</b>	<b>2 193 756</b>	<b>3 294 596</b>	<b>4 846 780</b>
54 Income Tax	1 300 096	158 911	1 054 271	1 550 970
55 Prepaid Tax		589 654		
<b>56 or &lt;57&gt; Net Profit or &lt;Loss&gt;</b>	<b>2 121 209</b>	<b>1 447 191</b>	<b>2 240 325</b>	<b>3 295 811</b>

101

## Financial Ratios

RAJDP Constanta		1995	1996	1997	1998
<b><u>Vulnerability</u></b>					
Subsidies cover of CF from Operations	1)	0 0%	neg CF	0 0%	0 0%
Subsidies cover of Payroll	2)	0 0%	0 0%	0 0%	0 0%
w/out labor burden	2)	0 0%	0 0%	0 0%	0 0%
Net CF from Ops as % of Payroll		157 0%	neg CF	50 4%	73 5%
w/out labor burden		209 3%	neg CF	50 4%	73 5%
Net CF from Ops as % of Raw Materials+ Consumables		72 1%	neg CF	35 4%	50 1%
<b><u>Profitability</u></b>					
* Operating Profit Margin		33 1%	19 5%	31 3%	35 6%
* Gross Margin		33 9%	21 7%	32 7%	36 7%
<b><u>Leverage</u></b>					
* debt to assets		16 9%	16 3%	27 2%	29 7%
w/out A/C Rec		24 1%	22 9%	44 5%	54 9%
* debt to revenues ( core activ)		24 6%	14 0%	19 0%	20 0%
w/out subsidies	2)	24 6%	14 0%	19 0%	20 0%
* net CF % of TOTAL LIABILITIES		2 1%	neg CF	6 8%	5 3%
<b><u>Liquidity</u></b>					
* current ratio		171 6%	539 8%	739 8%	786 3%
<b><u>Turns (days)</u></b>					
	360				
* collection period		59	91	99	113
* days sales in cash		37	1	14	12
* payable period		11	24	52	58
<b><u>Others</u></b>					
* raw materials % of total costs		47 9%	50 5%	37 6%	39 3%
* sal % of total costs		16 5%	20 0%	26 4%	26 8%
* subsidies % of total costs	2)	0 0%	0 0%	0 0%	0 0%
* subsidies % of turnover	2)	0 0%	0 0%	0 0%	0 0%

102

**Net Cash Flow Analysis**  
Constant 1995 Lei

RAJACO Constanta	1994	1995	1996	1997	1998
Net Income	1,332,940	1,365,256	32,759	1,586,635	1,191,481
<i>Cash Flow from Operations</i>					
<b>Adjust Net Income to net cash provided by operating activities</b>					
Add back DEPRECIATION, AMORTIZATION, PROVISIONS	537,721	2,729,885	1,302,985	870,891	769,800
<b>Adjust for change in assets and liabilities</b>					
Add back increase in A/P and any other payable (including accrued liabilities and penalties)	7,794,702	3,645,617	3,209,830	1,800,000	1,155,000
Subtract increase in A/R and any other accrued receivable	(7,896,967)	(3,417,708)	(3,794,648)	(3,780,000)	(4 867,500)
Subtract increase in any of the INVENTORY	317,670	(907,722)	(241,165)	(72,000)	(66,000)
<b>Net Cash Flow from Operations</b>	<b>2,086,065</b>	<b>3,415,328</b>	<b>509,761</b>	<b>405,527</b>	<b>(1,817,220)</b>
<i>Cash Flow from Investments</i>					
-/+ (Purchase) / sales of PROPERTY, PLANT AND EQUIPMENT					
-/+ (Purchase) / sale of other INVESTMENTS					
<b>Net Cash Flow from Investments</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<i>Cash Flow from Financing</i>					
Subtract increase in PREPAID EXPENSES	(1,051,810)	237,002	(168,886)	(36,000)	(33,000)
Add increase in UNEARNED REVENUES	0	0	0	0	0
Add increase in CREDITS & LOANS	0	100,912	(67,611)	0	0
Subtract DIVIDENDS paid to the owner	(966,766)	(666,470)	(16,380)	(793,318)	(595,740)
<b>Net Cash Flow from Financing</b>	<b>(2,018,576)</b>	<b>(328,556)</b>	<b>(252,877)</b>	<b>(829,318)</b>	<b>(628,740)</b>
<b>Net Cash Flow for the Period</b>	<b>67,489</b>	<b>3,086,772</b>	<b>256,884</b>	<b>(423,791)</b>	<b>(2,445,960)</b>
<b>BEGINING Cash</b>	<b>352,033</b>	<b>419,523</b>	<b>3,506,294</b>	<b>3,763,178</b>	<b>3,339,387</b>
<b>ENDING Cash</b>	<b>419,523</b>	<b>3,506,294</b>	<b>3,763,178</b>	<b>3,339,387</b>	<b>893,427</b>

Data in thousand lei

**Profit and Loss**

	TOTAL 1994	TOTAL 1995	TOTAL 1996	TOTAL 1997	TOTAL 1998
<b>FINANCIAL RESULTS RAJACO Constanta</b>	<b>1 34</b>	<b>1 00</b>	<b>0 67</b>	<b>0 36</b>	<b>0 33</b>
1 Revenues from goods (merchandise) sold			16 090	8 045	13 707
2 Revenues from Core Activity	32 362 152	38 026 779	32 449 941	35 238 360	36 326 578
3 Turnover	32 362 152	38 026 779	32 466 031	35 246 405	36 340 285
4 or <5> Inventories evaluated					
6 Assets in Process evaluated	19 862	624 648	581 690	603 169	638 165
7 Total Production	32 402 033	38 651 426	33 031 632	35 841 529	36 964 743
8 Subventions for Core Activity					
9 Other Revenues	218 515	477 285	252 324	364 805	323 930
10 Rev from Provisions for Core Activity					
<b>11 Total Revenues Core Activity</b>	<b>32 620 549</b>	<b>39 128 711</b>	<b>33 300 046</b>	<b>36 214 379</b>	<b>37 302 380</b>
12 Merchandise	12 241	4 111	8 650	6 381	8 308
13 Raw Materials					
14 Consumables	1 270 991	1 921 394	2 006 177		
15 Energy and Water	19 239 920	20 766 659	18 776 665	19 723 395	20 742 361
16 Other Materials	84 912	210 648	126 224		
17 Total Materials	20 595 823	22 918 702	20 911 065	21 914 883	23 047 067
18 Other Costs	1 093 890	1 173 281	1 189 696	1 181 488	1 281 393
19 Taxes	368 332	341 792	170 635	256 213	223 402
20 Personnel	6 143 140	7 650 178	7 028 854	6 830 090	7 221 537
21 Labor Burden	2 085 340	2 465 633	2 369 878	2 927 181	3 094 945
22 Total Personnel	8 228 480	10 115 811	9 398 732	9 757 272	10 316 482
23 Other Operational Costs	8 167	8 931	7 987	8 459	8 843
24 Depreciation for core activity	537 721	2 729 885	1 302 985	870 891	769 800
<b>25 Total Costs for Core Activity</b>	<b>30 842 654</b>	<b>37 292 513</b>	<b>32 989 750</b>	<b>33 995 588</b>	<b>35 655 296</b>
<b>26 or &lt;27&gt; Profit or &lt;Loss&gt; Core Activity</b>	<b>1 777 895</b>	<b>1 836 198</b>	<b>310 296</b>	<b>2 218 791</b>	<b>1 647 084</b>
<b>34 Total Financial Revenues</b>	<b>188 308</b>	<b>226 023</b>	<b>110 561</b>	<b>168 292</b>	<b>145 793</b>
38 Interest Expense		34	699		
40 Amortization / Provisions for Losses					
<b>41 Total Financial Costs</b>		<b>34</b>	<b>699</b>	<b>366</b>	<b>603</b>
<b>42 or &lt;43&gt; Profit or &lt;Loss&gt; Financial Activity</b>	<b>188 308</b>	<b>225 989</b>	<b>109 862</b>	<b>167 926</b>	<b>145 190</b>
<b>44 or &lt;45&gt; Current Profit or &lt;Loss&gt;</b>	<b>1 966 202</b>	<b>2 062 187</b>	<b>420 158</b>	<b>2 386 716</b>	<b>1 792 274</b>
<b>46 Extraordinary Revenues</b>	<b>26 362</b>	<b>7 535</b>	<b>7 409</b>	<b>5 184</b>	<b>4 651</b>
account 671 + 672 Extraordinary Costs	15 099	102 976	64 756		
a/c 687 Amortisation / Provisions for Ex Losses					
<b>47 Extraordinary Costs Total</b>	<b>15 099</b>	<b>102 976</b>	<b>64 756</b>	<b>58 612</b>	<b>44 748</b>
<b>48 or &lt;49&gt; Extraordinary Profit or &lt;Loss&gt;</b>	<b>11 263</b>	<b>(95 441)</b>	<b>(57 347)</b>	<b>(53 429)</b>	<b>(40 097)</b>
<b>52 or &lt;53&gt; Gross Profit or &lt;Loss&gt;</b>	<b>1 977 465</b>	<b>1 966 747</b>	<b>362 811</b>	<b>2 333 287</b>	<b>1 752 178</b>
54 Income Tax	644 525	601 491		496 652	560 697
55 Prepaid Tax			330 051		
<b>56 or &lt;57&gt; Net Profit or &lt;Loss&gt;</b>	<b>1 332 940</b>	<b>1 365 256</b>	<b>32 759</b>	<b>1 836 635</b>	<b>1 191 481</b>

106



## Financial Ratios

RAJACO Constanta	1994	1995	1996	1997	1998
<b><u>Vulnerability</u></b>					
Subsidies cover of CF from Operations	0 0%	0 0%	0 0%	0 0%	neg CF
Subsidies cover of Payroll	0 0%	0 0%	0 0%	0 0%	0 0%
w/out labor burden	0 0%	0 0%	0 0%	0 0%	0 0%
Net CF from Ops as % of Payroll	25 4%	33 8%	5 4%	6 7%	neg CF
w/out labor burden	34 0%	27 3%	7 3%	9 6%	neg CF
Net CF from Ops as % of Energy & Water	14 5%	16 4%	2 7%	3 3%	neg CF
<b><u>Profitability</u></b>					
* Operating Profit Margin	5 5%	4 7%	0 9%	6 1%	4 4%
* Gross Margin	6 1%	5 0%	1 1%	6 4%	4 7%
<b><u>Leverage</u></b>					
* debt to assets	2 5%	3 4%	5 5%	7 2%	8 4%
w/out A/C Rec	2 5%	3 5%	5 8%	7 8%	9 6%
* debt to revenues ( core activ)	27 0%	31 0%	35 2%	23 2%	24 3%
w/out subsidies	27 0%	31 0%	35 2%	23 2%	24 3%
* net CF % of TOTAL LIABILITIES	1 0%	29 9%	1 5%	neg CF	3 7%
<b><u>Liquidity</u></b>					
* current ratio	118 9%	120 2%	126 9%	144 9%	182 9%
<b><u>Turns (days)</u></b>					
	360				
* collection period	88	104	111	94	132
* days sales in cash	17	14	15	5	1
* payable period	85	96	110	76	78
<b><u>Others</u></b>					
*energy & water % of total costs	62 4%	55 7%	56 9%	58 0%	58 2%
* sal (W/out burden) % of total costs	19 9%	20 5%	21 3%	20 1%	20 3%
* subsidies % of total costs	0 0%	0 0%	0 0%	0 0%	0 0%
* subsidies % of turnover	0 0%	0 0%	0 0%	0 0%	0 0%

1

**Financial Profile  
of the  
Municipality of Constanta**

**For the period from  
1993 to 1996**

April 1997

**Prepared Under Contract  
with the  
United States Agency for International Development**

By  
The Urban Institute  
2100 M Street  
Washington, D C

East European Regional Housing Sector Assistance Project  
Project 180-0034  
U S Agency for International Development, ENI/EEUD/UDH  
Contract No EPE-0034-C-00-5110-00, RFS No 804

## Introduction

USAID and the EBRD have been cooperating with the Government of Romania in the early development of a work plan to assist in creating a Municipal Credit Facility (MCF) that would lend to general purpose local governments (*judets* and municipalities), as well as local service enterprises (*regii*) to finance investments in infrastructure. The initial phase of that work plan involves an assessment of the existing legal and policy framework as it affects the stability of intergovernmental transfers and the ability of local governments to manage their own finances and to borrow. It also includes an analysis of the current financial condition of general purpose local governments in four urban regions to assess the credit worthiness of municipalities and *judets*, as potential borrowers from the MCF.

This Financial Profile of the Municipality of Constanta was prepared as part of a broader analysis of the financial condition and financial management capacity of a municipality and a *judet* in each of four urban regions in Romania (Bihar, Constanța, Dâmbovița and Maramureș), as well as that of the corresponding *regii* that provide water, waste water, transport, solid waste and heating services in those regions. The analysis will contribute to an understanding of the issues that might constrain the participation of municipalities in the MCF.

The first part of the analysis looks at the financial condition of the Municipality of Constanta, based on the actual results for the period from 1993 to 1996. The final section of the analysis attempts to look at the future financial condition of Constanta through the year 2001, although such projections should be considered as illustrative given the current state of flux of laws and regulations governing local government finances in Romania. The final part of the analysis looks at the financial condition of the *regii* that provide local infrastructure services in Constanta.

## A FINANCIAL ANALYSIS

### Overall Results

The overall financial results of the Municipality of Constanta for the period from 1993 to 1996, as shown in Table 1, have evolved steadily from a small surplus in 1993 to a balanced budget in 1996. These are reasonable and positive results.

However, these results by themselves reveal little else about the finances of the Municipality of Constanta. The following sections of this Financial Profile will attempt to provide greater insights into the financial condition of the Municipality.

	1993	1994	1995	1996
Total Revenues	5,045,571	11,152,131	40,982,978	66,521,422
Total Expenditures	5,003,397	11,130,230	40,977,974	66,521,422
<b>Overall Surplus (Deficit)</b>	<b>42,174</b>	<b>21,901</b>	<b>5,004</b>	<b>0</b>

### Net Operating Results

This section of the analysis looks at net operating results. This is different than the overall surplus or deficit, shown above, which judets and municipalities currently calculate. That analysis looks at the difference between all revenues and all expenditures. Net operating results look only at the difference between non-investment (or operating) expenditures and non-capital (or operating) revenues.

The calculation uses the standard income and expense data reported by judets and municipalities in Annexes 12 and 14 of their quarterly and annual financial statements. These forms include all revenues and expenditures by line item for any given year, including budget and actual information. The calculation of the net operating results first requires identifying and classifying those expenditures related to the cost of administering the Municipality or of providing local services. This includes as well any subsidies or transfers to other organizations, such as the *regii*, to pay for similar costs. These are the *operating expenditures* of the Municipality. The second step is to isolate those revenues that are available on a continuing basis to pay for operating expenditures. These *operating revenues* include all local taxes and fees, shared national tax revenues and any operating subsidies provided by the state. They do not include non-fiscal revenues, such as the proceeds of loans or of the sale of assets, or those revenues provided by the state specifically to pay for investments. Appendix 1 explains the calculation of operating expenditures and revenues using the data available in Annexes 12 and 14 of the standard financial reports.

The net operating results of the Municipality are determined by subtracting its total operating expenditures from its total operating revenues. This will produce

- A net operating surplus when recurring revenues are greater than operating expenditures
- A net operating deficit when operating expenditures are greater than recurring revenues

This is a significant result. Should the Municipality want to enter into a loan or issue bonds, the operating surplus will be the amount available to pay the maturing principal and interest payments on the debt. It will largely determine the maximum amount the Municipality *can* borrow. A Municipality that has a current net operating deficit has no free operating revenues available for debt service. It should not consider entering into any new loans until it has taken steps to identify and address the causes of the problem.

The net operating results of the Municipality of Constanta for the period from 1993 to 1996 are on a positive trend. After recording small operating deficits in 1993 and 1994, the municipality recorded a significant operating surplus in 1995 and 1996. The potential risk derives from the fact that the municipality has become increasingly reliant on non-recurring operating revenues, such as spectacle fees and distribution of profits from the *regii*.<sup>1</sup>

An analysis of the net operating results in constant 1995 lei, as shown in Table 2, below, reveals that the net operating surplus decreased by over 50% from 1995 to 1996. Should the trend

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<sup>1</sup> See Appendix 1 for a full definition of recurring and non-recurring local operating revenues

continue in 1997, this would be a cause for some concern. Otherwise, the financial condition of the municipality, as reflected in its net operating results, generally has been positive.

	1993	1994	1995	1996
Operating Revenues	8,940,874	13,015,650	37,384,184	37,999,402
Operating Expenditures	9,301,651	13,183,408	34,385,482	36,593,069
<b>Operating Surplus (Deficit)</b>	<b>(360,777)</b>	<b>(167,758)</b>	<b>2,998,702</b>	<b>1,406,333</b>

### Revenue Trends

This section of the analysis looks at how the revenues of the Municipality of Constanta have changed over the period from 1993 to 1996. As shown in Table 3, below, both operating and total revenues have increased steadily in real terms since 1993. The increase in both operating and capital revenues between 1995 and 1996 derived entirely from revenues received from the state budget, particularly operating and capital subsidies. Local operating and capital revenues decreased in real terms.

	1993	1994	1995	1996
Local Taxes & Fees	5,883,066	8,670,450	20,935,129	15,418,864
Shared National Taxes	3,052,956	4,345,200	7,083,411	7,200,969
State Operating Subsidies	4,853	0	9,365,644	15,379,569
<b>Total Operating Revenues</b>	<b>8,940,875</b>	<b>13,015,650</b>	<b>37,384,184</b>	<b>37,999,402</b>
Own Capital Revenues	1,550,412	1,236,773	824,994	357,145
State Capital Subsidies	0	0	2,773,800	4,040,790
<b>Total Capital Revenues</b>	<b>1,550,412</b>	<b>1,236,773</b>	<b>3,598,794</b>	<b>4,397,935</b>
<b>Total Revenues</b>	<b>10,491,287</b>	<b>14,252,423</b>	<b>40,982,978</b>	<b>42,397,337</b>

During the same period, as shown in Table 4, below, the composition of the operating revenues of the Municipality of Constanta, that is, those revenues that are most critical to an evaluation of the borrowing capacity of the Municipality, has changed, reflecting a greater reliance on revenues from the state budget. Local taxes and fees accounted for two-thirds of operating revenues in

1993 and 1994. By 1996, this relative weight had been reversed. Revenues from local sources were down to 40% and shared national taxes and state operating subsidies together increased to 60%. If this trend were to continue, the growing reliance on the state budget to fund operations would make the municipality more vulnerable to changes in national policies and priorities.

	1993	1994	1995	1996
Local Taxes & Fees	65.80%	66.62%	56.00%	40.58%
Shared National Taxes	34.15%	33.38%	18.95%	18.95%
State Operating Subsidies	0.05%	0.00%	25.05%	40.47%

### Expenditure Trends

This section of the analysis looks at how the expenditures of the Municipality of Constanta have evolved over the period from 1993 to 1996. As shown in Table 5, below, the volume of expenditures in constant 1995 lei has largely leveled off in 1996, even decreasing in some categories, after having expanded rapidly between 1993 and 1995. The one notable exception is Transportation, where per capita expenditures doubled between 1995 and 1996. This reflects new responsibilities transferred to the municipality from the judet. In general, the municipality appears to be making successful efforts to control the growth of operating expenditures.

Chapter	1993	1994	1995	1996
General Administration	1.02	5.83	3.71	3.41
Education	0.00	0.00	14.90	10.74
Health	13.27	18.17	21.71	15.89
Culture and Art	0.00	0.00	1.44	2.00
Social Assistance	1.23	1.99	2.71	3.05
Public Works and Housing	11.13	11.83	38.70	38.24
Transportation and Communication	0.00	0.00	15.57	31.20
Other Economic Activities	0.00	0.00	0.00	0.00
Other Activities	0.00	0.00	0.00	0.98

**Debt**

The Municipality of Constanta has not borrowed in any year between 1993 and 1996

The Municipality is contemplating a \$100 million bond issue. A loan in this amount will be extremely difficult to repay, even with a grace period on repayment of principal. Table 6B shows the impact of a much smaller bond issue of \$20 million on the net operating results of the municipality.

**Projections**

Table 6A shows the future net operating results for the Municipality of Constanta as projected to the year 2001, based on current revenue and expenditure trends. That table shows that the Municipality would have a growing operating surplus, based on a combination of rapidly increasing revenues and decreasing expenditures in key categories, such as health.

Table 6B shows the future net operating results of the Municipality of Constanta to the year 2001, as projected based on certain policy assumptions provided by the Municipality. Those assumptions are the Municipality would borrow \$20 million in 1997. In addition, we have adjusted the trend in education expenditures to reflect a reduction of 1% in real terms per year. Based on current trends, these expenditures would reach zero in 1999, a scenario that is unrealistic. Based on these new assumptions, the Municipality would face very difficult years between 1997 and 2001, as loan interest payments add 14 billion lei in real terms to annual expenditures. To absorb the added burden of interest payments, the municipality would need some combination of increased revenues and decreased expenditures. The magnitude of the projected deficits suggests that it will be very difficult to implement reforms that could generate sufficient new resources or savings. The municipality might have to scale back its borrowing plans even further.

**Table 6A  
Projections - Current Trends**

<b>Constanta Municipality</b>									
<b>Actual and Projected Cash Flow</b>									
<b>Current Trends - Constant 1995 Lei</b>									
	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>
<b>Recurring Revenues Total</b>	7 475 063	10 258 621	34,700 323	35 777 443	50 347 039	61 520 932	72 694 824	83 868 716	95 042 608
Of which									
<i>Local Taxes and Fees</i>	4 417 255	5 913 421	18 251 268	13 196 905	19 737 349	23 379 091	27 020 833	30 662 575	34 304 317
<i>Shared National Tax Revenues</i>	3 052,956	4,345 200	7 083 411	7,200 969	9,216 196	10 734 422	12 252 647	13 770 872	15 289 097
<i>State Operating Subsidies</i>	4 853	0	9,365 644	15 379 569	21 393 494	27 407,419	33,421 345	39 435 270	45 449 195
<b>Operating Expenditures Total</b>	9 301 651	13 183 408	34 385 482	36 593 069	46,768 581	55 787 468	65 073 620	75 157,032	85 240 443
Of which									
<i>General Administration</i>	355 468	2 031 709	1 292 354	1,182 317	652 734	1 026,458	1 000 972	975 486	950 000
<i>Education</i>	0	0	5,188 464	3,724 729	2,260 994	797 259	0	0	0
<i>Health</i>	4 631 760	6 333 187	7 559 739	5,512 048	6,976 037	7 362 779	7 749,520	8,136 262	8 523 003
<i>Culture &amp; Sports</i>	0	0	501 840	693 168	944 088	1 202 222	1 460 356	1,718 490	1 976 625
<i>Social Assistance</i>	428,971	693 725	944 769	1 058 227	1 316 126	1 530 007	1 743 888	1 957 769	2 171 650
<i>Public Works &amp; Housing</i>	3 885 451	4 124 787	13 477 048	13 262 254	18,058 052	21 806,319	25 554,585	29,302 852	33 051 119
<i>Transportation &amp; Communication</i>	0	0	5,421 268	10 821 491	16,221 714	21 621,936	27 022 159	32 422 382	37 822 605
<i>Other Economic Activities</i>	0	0	0	0	0	0	0	0	0
<i>Other Activities</i>	0	0	0	338 837	338 837	440 488	542 139	643 790	745 441
<i>Interest Payments</i>	0	0	0	0	0	0	0	0	0
	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>
<b>Recurring Surplus (Deficit)</b>	(1 826 587)	(2 924 787)	314,841	(815 627)	3 578 458	5 733 464	7 621 204	8 711 685	9 802 165
<b>Non-recurring Operating Revenues Total</b>	1 465 811	2 757 029	2 683,861	2 221 959	2 019 212	1 751,677	1 484 141	1 216 606	949 071
Of which									
<i>Non recurring Local Operating Revenues</i>	1 465 811	2 757 029	2 683 861	2 221,959	2 019 212	1 751,677	1,484 141	1 216 606	949 071
<b>Net Operating Surplus (Deficit)</b>	(360 776)	(167 758)	2 998 702	1 406,332	5 597 670	7 485 140	9 105 345	9 928 290	10 751 236

112



**Table 6B**  
**Projections - Policy Scenario**

<b>Actual and Projected Cash Flow</b>										
<b>Policy Scenario - 1995 Lei</b>	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	
<b>Recurring Revenues Total</b>	7 475 063	10 258 621	34 700 323	35,777 443	50 347,039	61 520 932	72 694 824	83 868 716	95 042 608	
Of which										
<i>Local Taxes and Fees</i>	4 417 255	5 913 421	18 251 268	13 196 905	19 737 349	23 379 091	27 020 833	30,662 575	34 304 317	
<i>Shared National Tax Revenues</i>	3 052 956	4 345 200	7 083 411	7 200 969	9 216 196	10 734 422	12 252 647	13 770 872	15 289 097	
- <i>State Operating Subsidies</i>	4 853	0	9 365,644	15 379 569	21 393 494	27 407 419	33 421 345	39 435 270	45 449 195	
<b>Operating Expenditures Total</b>	9 301 651	13 183 408	34 385 482	36 593 069	62,595 069	73 040 816	83 087 721	93,134 992	103 182 623	
Of which										
<i>General Administration</i>	355 468	2 031 709	1 292 354	1 182 317	652 734	1 026 458	1 000 972	975 486	950,000	
<i>Education</i>	0	0	5 188 464	3 724 729	3 687 482	3 650 607	3 614 101	3 577 960	3 542 180	
<i>Health</i>	4 631 760	6 333 187	7 559 739	5 512 048	6 976 037	7 362 779	7 749 520	8 136 262	8 523,003	
<i>Culture &amp; Sports</i>	0	0	501 840	693 168	944 088	1 202 222	1 460 356	1 718 490	1 976,625	
<i>Social Assistance</i>	428 971	693 725	944 769	1 058 227	1 316 126	1 530 007	1 743 888	1 957 769	2 171 650	
- <i>Public Works &amp; Housing</i>	3 885 451	4 124 787	13 477 048	13 262 254	18 058 052	21 806 319	25 554 585	29 302 852	33 051 119	
<i>Transportation &amp; Communication</i>	0	0	5 421 268	10 821 491	16 221 714	21 621 936	27,022 159	32 422 382	37 822 605	
<i>Other Economic Activities</i>	0	0	0	0	0	0	0	0	0	
<i>Other Activities</i>	0	0	0	338 837	338 837	440 488	542 139	643 790	745 441	
<i>Interest Payments</i>	0	0	0	0	14 400 000	14 400 000	14 400 000	14 400 000	14 400 000	
	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	
<b>Recurring Surplus (Deficit)</b>	(1 826 587)	(2 924 787)	314 841	(815 627)	(12 248,029)	(11 519 884)	(10 392,897)	(9 266 275)	(8,140 015)	

## B PROVISION OF INFRASTRUCTURE SERVICES

### Organizations Responsible for Local Services

For the Municipality of Constanta infrastructure services are provided by two regii and a commercial company. The "Regie Autonome de Distributie a energiei termice," RADET Constanta, provides heating, mainly to households, and to small businesses.

The "Regie de transport local," RATC Constanta, provides mass transit services to the city. Until August 1996, this regie was under the authority of the Judet, not the Municipality. The analysis of RATC covers the period from 1994 to 1996. The full analysis of RATC is included in this document since the regie currently is under the authority of the Municipality of Constanta.

"ECOSAL SRL," is a commercial company founded in 1995 and wholly owned by the municipality, that provides the following services in the city of Constanta:

- Garbage collection and disposal to both residential and commercial clients
- Street cleaning under contract with the municipality

The analysis looked at the finances of the two regii since 1994. ECOSAL was not included. Annex III includes more detailed tables on these two regii, as well as on ECOSAL.

### Net Profit (Loss)

The net income of the two regii, as shown in Tables 7A and 7B, below, are different. RADET has registered a net loss both from operations and overall in every year since 1994. RATC registered its first in 1996, after operating at a profit in the two prior years. The heavily negative operating profit margin of RADET suggests that the core activity of this regie are not viable under present conditions. The margins of RATC, although negative, are closer to a break even point. Some combination of small increases in tariffs and cost savings could lead to a profitable operation. If conditions do not change, however, both regii face further losses in 1997.

<b>RADET Constanta</b>	<b>1994</b>	<b>1995</b>	<b>1996 (E)</b>	<b>1997 (P)</b>
Operating Revenues	17,625,831	20,008,489	22,374,377	22,202,587
Operating Costs	24,400,483	29,497,498	23,954,245	25,828,996
Operating Profit (Loss)	(6,774,652)	(9,489,009)	(1,579,868)	(3,626,409)
Operating Profit (Loss) Margin	(38.4)%	(47.4)%	(7.1)%	(16.3)%
Other Revenues	77,847	24,734	29,443	27,088
Other Costs	341,784	183,931	9,014	168,295
Gross Profit (Loss)	(7,038,589)	(9,648,206)	(1,559,439)	(3,767,616)
Profit/Payroll Taxes Paid	0	0	0	0
<b>Net Profit (Loss)</b>	<b>(7,038,589)</b>	<b>(9,648,206)</b>	<b>(1,559,439)</b>	<b>(3,767,616)</b>

114

<b>Table 7B</b>				
<b>Net Profit (Loss)</b>				
Constant 1995 Lei - Thousands				
<b>RATC Constanta</b>	<b>1994</b>	<b>1995</b>	<b>1996 (E)</b>	<b>1997 (P)</b>
Operating Revenues	23,676,502	31,330,174	27,972,014	27,840,458
Operating Costs	23,814,700	30,409,004	29,281,878	29,293,617
Operating Profit (Loss)	(138,198)	921,170	(1,309,864)	(1,453,159)
Operating Profit (Loss) Margin	(0.6)%	2.9%	(4.7)%	(5.2)%
Other Revenues	224,481	175,042	182,104	125,850
Other Costs	50,825	120,534	242,519	157,429
Gross Profit (Loss)	35,458	975,678	(1,370,279)	(1,484,738)
Profit/Payroll Taxes Paid	21,524	312,217	0	(475,116)
<b>Net Profit (Loss)</b>	<b>13,934</b>	<b>663,461</b>	<b>(1,370,279)</b>	<b>(1,009,622)</b>

### Net Cash Flow Analysis

The Profit and Loss Statement and the Balance Sheet of a local regie or commercial company that provides essential infrastructure services to a community present valuable information both to the managers and to the Local Councils and other interested parties such as investors and creditors. Yet, it is important to look beyond the results reported in the Profit and Loss Statement and Balance Sheet at other results that can be calculated using the information available in those statements.

Under the present conditions in the Romanian economy, it is not unusual to find commercial companies, including many local regii, with high levels of both accounts receivable and accounts payable. A growing inability to collect payments owed by clients for services provided, reflected in the increase in accounts receivable, poses a potential threat to the liquidity of many companies, including some of the regii. By and large, companies have tried to offset the loss of cash implicit in the increase in accounts receivable by a corresponding increase in accounts payable. The situation often is described as one of "financial blockage" - no-one pays anyone else. This involves serious risks. It is not sustainable over time. What might happen, for example, if a large creditor (such as RENEL) demands payment of accumulated bills? In the absence of a compensating reduction in receivables (an increase in the collection from its debtors), the commercial company or regie would face a serious cash problem that might impair its ability to continue to operate normally.

The existing situation of "financial blockage" distorts the picture of the financial condition of a company or regie, as shown in its financial statements. Assets, as shown by accounts receivable in the balance sheet, may not be what they seem. It is likely that in the future not all receivables will be recovered. Consequently, companies should be making provisions for losses from bad debts. Conversely, liabilities, as shown by accounts payable, may also be inaccurate. As companies begin to face the obligation to repay accumulated arrears, there is a potential for

115

late payment fees or penalties. Therefore, companies (including regii) which have a high volume of accounts payable should start introducing provisions for losses on penalties and litigation.

The most immediate problem, however, is whether the company is generating sufficient cash to ensure its continued operations. In answering this question, it is necessary to look beyond the operating results as reported in the Profit and Loss Statement to the Net Cash Flow of the company. By projecting, for the near future, the level of cash that flows through the company, the management can predict the company's cash position at every instant in time, assess liquidity risks, and prevent unpleasant moments of illiquidity. In the case of the regie, liquidity is also a concern for the Municipality which has an obligation to provide a reasonable level of infrastructure services to the local community. Barring any force majeure and using good sense in estimating the risks, the trend in the ending cash position can show well in advance when a liquidity problem might arise.

#### *How We Arrive at Net Cash Flow*

The purpose of the Net Cash Flow analysis is to identify the sources and uses of cash during the accounting period. To do this, the analysis divides the operations of a company or regie into three main activity groups that cause assets to change: operations, investments and financing. Beginning with net income calculated on an accrual basis, the analysis makes a series of adjustments intended to transform net income into cash flow. The adjustments are of three types:

- Expenses not involving cash outflows are added back, e.g. depreciation, deferred taxes, increase in accounts payable and in accrued interest payable,
- Cash outflows not treated as expenses are subtracted, e.g. increase in inventory, dividends,
- Revenues not involving cash inflows are subtracted as well, e.g. increase in accounts receivable and in accrued interest earned, and gain on sale of property.<sup>2</sup>

The first activity covered in the analysis are the income and expenses related to the *operations* of the company or regie. Most expenses involve a corresponding outflow of cash. Depreciation, amortization and provisions, however, although deducted as expenses do not require the use of cash. Since they are a non-cash reduction in net income, they are added back to adjust the cash flow from operations. The same is true for the increase in accounts payable (the difference is deducted from net income but not yet paid) and the decrease in accounts receivable (similarly, this is an increase in sales for which the regie has not been paid). In addition, the increase in inventory is deducted to reflect the cash used to produce the additional inventory. This part of the analysis looks at the trends in accounts payable and accounts receivable, as well as net cash generated from operations.

The final two parts of the analysis then look at the impact on net cash flow of *investment and financing activities*. The first involves changes in a firm's long-term investments in property,

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<sup>2</sup> Whatever cash is generated by the sale of property will appear on the cash flow statement as proceeds from the sale of property under the heading "cash flow from investments". The gain (or loss) on the sale is the difference between the property's selling price and its balance sheet value when sold. Because this gain is already part of the line +/- (purchase)/sale of property, plant or equipment, showing it also as part of operating activities would amount to double-counting.

plant and equipment. These activities are not reflected in the Profit and Loss Statement but represent a use (or a source of) cash.<sup>3</sup> *Financing activities* include cash raised from debt (inflows) and cash outflows for the dividends paid.<sup>4</sup>

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<sup>3</sup> Because of little information on the changes in property, plant and equipment, we assumed that all changes come from revaluation of the assets. This is a change that does not affect either the cash flow or net income.

<sup>4</sup> In the particular case of Romania and the region, we have also observed the use of unearned revenues as a way to bridge-finance the shortfall of cash at the end of the year. Similarly, this is sometimes compensated by an increase in prepaid expenses. Both are a masked form of short-term financing.

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<sup>4</sup> In the particular case of Romania and the region, we have also observed the use of unearned revenues as a way to bridge-finance the shortfall of cash at the end of the year. Similarly, this is sometimes compensated by an increase in prepaid expenses. Both are a masked form of short-term financing.

**Table 8A**  
**Cash Flow Analysis**  
**Constant 1996 Lei - Thousands**

RADET Constanta	1994	1995	1996	1997	1998
Net Income	(7,038,590)	(9,648,205)	(1,559,439)	(3,767,615)	(4,504,766)
<i>Cash Flow from Operations</i>					
<b>Adjust Net Income to net cash provided by operating activities</b>					
Add back DEPRECIATION, AMORTIZATION, PROVISIONS	11,272	1,864,376	1,212,530	641,577	567,104
<b>Adjust for change in assets and liabilities</b>					
Add back increase in A/P and any other payable (including accrued liabilities and penalties)	8,299,900	8,942,951	(377,263)	3,137,843	4,552,134
Subtract increase in A/R and any other accrued receivable	(2,063,731)	(1,187,013)	593,034	(1,276,179)	(1,754,746)
Subtract increase in any of the INVENTORY	(129,985)	(111,196)	(303,277)	(126,000)	(173,250)
<b>Net Cash Flow from Operations</b>	<b>(921,135)</b>	<b>(139,088)</b>	<b>(434,415)</b>	<b>(1,390,374)</b>	<b>(1,313,525)</b>
<i>Cash Flow from Investments</i>					
-/+ (Purchase) / sales of PROPERTY, PLANT AND EQUIPMENT					
-/+ (Purchase) / sale of other INVESTMENTS					
<b>Net Cash Flow from Investments</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<i>Cash Flow from Financing</i>					
Subtract increase in PREPAID EXPENSES	(8,309)	(195,782)	105,331	0	0
Add increase in UNEARNED REVENUES	0	0	0	0	0
Add increase in CREDITS & LOANS	335,000	228,675	1,838,363	(360,000)	(720,000)
Subtract DIVIDENDS paid to the owner	0				
<b>Net Cash Flow from Financing</b>	<b>326,691</b>	<b>32,893</b>	<b>1,943,693</b>	<b>(360,000)</b>	<b>(720,000)</b>
<b>Net Cash Flow for the Period</b>	<b>(594,444)</b>	<b>(106,195)</b>	<b>1,509,279</b>	<b>(1,750,374)</b>	<b>(2,033,525)</b>
<b>BEGINING Cash</b>	<b>935,424</b>	<b>134,748</b>	<b>28,553</b>	<b>1,537,832</b>	<b>(212,542)</b>
<b>ENDING Cash</b>	<b>134,748</b>	<b>28,553</b>	<b>1,537,832</b>	<b>(212,542)</b>	<b>(2,246,067)</b>

**Table 8B**  
**Net Cash Flow Analysis**  
**Constant 1995 Lei**

<b>RATC Constanta</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>
Net Income	<b>13,933</b>	<b>663,461</b>	<b>(1,370,280)</b>	<b>(1,484,737)</b>	<b>(3,983,925)</b>
<i>Cash Flow from Operations</i>					
<b>Adjust Net Income to net cash provided by operating activities</b>					
Add back DEPRECIATION, AMORTIZATION, PROVISIONS	1,384,394	1,089,061	730,976	358,194	316,615
<b>Adjust for change in assets and liabilities</b>					
Add back increase in A/P and any other payable (including accrued liabilities and penalties)	633,635	2,727,273	(69,274)	1,083,616	507,171
Subtract increase in A/R and any other accrued receivable	(1,227,461)	(2,790,761)	(1,465,490)	(2,128,125)	(1,796,808)
Subtract increase in any of the INVENTORY	(331,870)	(1,099,674)	(589,091)	(844,382)	(716,737)
<b>Net Cash Flow from Operations</b>	<b>472,631</b>	<b>589,360</b>	<b>(2,763,159)</b>	<b>(3,015,435)</b>	<b>(5,673,683)</b>
<i>Cash Flow from Investments</i>					
-/+ (Purchase) / sales of PROPERTY, PLANT AND EQUIPMENT					
-/+ (Purchase) / sale of other INVESTMENTS					
<b>Net Cash Flow from Investments</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<i>Cash Flow from Financing</i>					
Subtract increase in PREPAID EXPENSES	0	(10,906)	(12,203)		
Add increase in UNEARNED REVENUES	1,806,596	605,622	1,358,884		
Add increase in CREDITS & LOANS	(74,816)	690,611	(409,114)		
Subtract DIVIDENDS paid to the owner	(6,967)	(331,730)			
<b>Net Cash Flow from Financing</b>	<b>1,724,813</b>	<b>953,597</b>	<b>937,567</b>	<b>922,836</b>	<b>1,158,098</b>
<b>Net Cash Flow for the Period</b>	<b>2,197,445</b>	<b>1,542,956</b>	<b>(1,825,592)</b>	<b>(2,092,599)</b>	<b>(4,515,584)</b>
<b>BEGINING Cash</b>	<b>283,798</b>	<b>2,481,242</b>	<b>4,074,029</b>	<b>1,757,166</b>	<b>(335,433)</b>
<b>ENDING Cash</b>	<b>2,481,242</b>	<b>4,074,029</b>	<b>1,757,166</b>	<b>(335,433)</b>	<b>(4,851,018)</b>



**Net Cash Flow Actual to Date***Trends in Accounts Receivable*

Both regii have faced increasing accounts receivable since 1994. RATC has had difficulty collecting from a number of sources, including firms that sell transportation tickets on its behalf and firms that place advertisements on the buses and trams. On the positive side, RADET actually decreased receivables in 1996. This means that it recovered payments owed in arrears from its clients. The expectation is that this positive development will not continue into 1997. Accounts receivable are projected to increase in both regii.

*Trends in Accounts Payable*

The regii have sought to offset the impact of arrearages by deferring payment to their creditors. Accounts payable increased in RADET and RATC in 1994 and 1995. In 1996, both paid down a part of their accumulated debts. This is a positive decision by the management of the regii. The major creditor of both regii is RENEL through its local subsidiaries.

*Net Cash Flow*

RADET faces by far the most serious liquidity problem of the two regii. After registering a negative net cash flow in 1994 and 1995, and with beginning cash down from 900 million lei in 1994 to 28 million in 1996, the RADET borrowed 1.8 billion lei in 1996. The regie used part of the proceeds to pay down debts to suppliers. The balance was used for working capital, ending the year with a positive net cash flow of 1.5 billion lei. Without a similar loan in 1997, RADET once again will register a negative net cash flow for the year. The regie may run out of cash during the year. The problem is that the core activity continues to generate heavy losses. The difficulties faced by RADET are reflected in its current ratio, which is down to 30 to 40 percent. The debt to assets ratio is relatively sound at 50 percent. This will not help the regie if it cannot address the basic problem of its core activity.

RATC had a positive net cash flow in 1994 and 1995. In the latter year, the regie balanced the increase in accounts receivable with a corresponding increase in accounts payable. It also borrowed 690 million lei and received advance payment for services of roughly 10 million more. All these measures together left the regie with an ending cash position of over 4 billion lei. In 1996, RATC used the extra cash to start to pay down its debts to suppliers and to repay part of the loan. This is drawing down the cash available to the regie. Under current conditions, the regie could run out of cash in late 1998.

**Impact on Finances of the Municipality**

Tables 9A and 9B, below, show the flow of funds between the Municipality and the two regii. As indicated by the figures in the table, both regii are heavily subsidized. In 1996, the net flow of funds from the Municipality to RADET and RATC accounted for 30 percent of total expenditures. As noted before, RATC was under the authority of the Judet until 1996. Hence, the analysis of flow of funds for that regie prior to 1996 is not applicable to the Municipality.

<b>Table 9A</b>			
<b>Flow of Funds</b>			
<b>Municipality - RADET Constanta</b>			
	<b>1994</b>	<b>1995</b>	<b>1996</b>
From Municipality to RADET	3,224,695	5,047,919	8,229,773
State Subsidies	3,224,695	5,047,919	8,229,773
Other	0	0	0
From RADET to Municipality	746,397	959,812	1,054,937
Income and Sales Tax Revenues	746,397	959,812	1,054,937
Distribution of Profits	0	0	0
<b>Net To (From) Municipality</b>	<b>(2,478,298)</b>	<b>(4,088,107)</b>	<b>(7,174,836)</b>
Net as Percent of Revenues (Expenditures)	(19.9)%	(11.1)%	(20.2)%

<b>Table 9B</b>			
<b>Flow of Funds</b>			
<b>Municipality - RATC Constanta</b>			
	<b>1994</b>	<b>1995</b>	<b>1996</b>
From Judet/Municipality to RATC	9,066,289	7,109,514	9,956,948
State Subsidies	9,066,289	7,109,514	9,956,948
Other	0	0	0
From RATC to Judet/Municipality	4,256,279	6,288,704	4,703,696
Income and Sales Tax Revenues	4,249,312	5,956,974	4,703,696
Distribution of Profits	6,967	331,730	0
<b>Net To (From) Municipality</b>	<b>(4,810,010)</b>	<b>(820,810)</b>	<b>(5,253,252)</b>
Net as Percent of Revenues (Expenditures)	n/a	n/a	(8.5)%

## APPENDIX I - DEFINITIONS

<b>1996 Code</b>	<b>Category/Sub Category</b>
	<b>Recurring Revenues</b>
	of which
	Local Taxes and Fees
	Shared National Salary Tax Revenues
	State Operating Subsidies
	<b>Local Taxes and Fees</b>
	of which
01 02	Taxes on Profits of Regii
03 02	Taxes and Fees on Individuals
04 02	Fees for Use of State Property
05 02	Corporate Property Tax
06 02	Corporate Vehicle Fees
07 02	Tax on Revenues from Agriculture
08 02	Other Direct Taxes
17 02	Other Indirect Taxes
	<b>Shared National Tax Revenues</b>
	of which
34 02	Shared National Salary Tax Revenues
	<b>State Operating Subsidies</b>
	of which
37 02 01	Subsidies for Social Assistance, Heating & Public Transport
	<b>Non-Recurring Revenues</b>
	of which
	Non-Recurring Local Operating Revenues
	Local Capital Revenues
	Other Capital Revenues
	<b>Non-Recurring Local Operating Revenues</b>
	of which
15 02	Entertainment Fees
20 02	Distribution from Profits of Regii
21 02	Revenues from Public Institutions
22 02	Other Various Revenues
40 02	Donations
	<b>Local Capital Revenues</b>
	of which
30 02	Proceeds from the Sale of Public Property & Housing
45 02	Proceeds of Short-term Loans
	<b>Other Capital Revenues</b>
	of which
37 02 02	State Capital Investment Subsidies
37 02 03	Capital Investment Subsidies from External Loans
46 02	Proceeds of Loans from Revolving Funds

**Appendix II**

**Detailed Financial Information on the  
Municipality of Constanta**

**Standard Data Set**

<b>Constanta Municipality</b>				
<b>Line Revenues - Actual at Year End</b>	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>
<b>0 Total Revenues</b>	5 045 571	11 152 131	40,982 978	66 521 422
Change in Total Revenues (current year/previous year)		2 21	3 67	1 62
<b>1 Local Taxes and Fees Recurring</b>	2 124 389	4 627 090	18 251 268	20 705 944
<b>2 Non Recurring Local Operating Revenues</b>	704 952	2 157 300	2 683 861	3 486 253
<b>3 Local Capital Revenues</b>	745 639	967 741	824 994	560 361
<b>4 Of which Proceeds from the sale of public property</b>	1 291	11 015	18 656	560 361
<b>5 Shared National Tax Revenues</b>	1 468 257	3 400 000	7 083 411	11 298 320
<b>6 State Operating Subsidies</b>	2 334	0	9 365 644	24 130 544
<b>7 Other Capital Revenues</b>	0	0	2 773 800	6 340 000
<b>8 Total Recurring Revenues (Line 1+5+6)</b>	3 594 980	8 027 090	34 700 323	56 134 808
Change in Recurring Revenues (current year/previous year)		2 23	4 32	1 62
<b>9 Total Non Recurring Revenues (Line 2+3+7)</b>	1 450 591	3,125 041	6 282,655	10 386 614
	5 045 571	11 152 131	40 982 978	0
<b>10 Verify Line 0 = Sum (Line 8+9)</b>	OK	OK	OK	OK
 <b>Revenues - Initial Approved Budget</b>				
	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>
<b>11 Total Revenue Budget</b>	5 045 571	12 132 436	38 531 000	66 521 422
<b>12 Local Revenues and Fees</b>	2,124 389	5 848 436	18 016 865	20 705 944
<b>13 Shared National Tax Revenues</b>	1 468 257	3 400 000	7,481 000	11,298 320
<b>14 State Operating Subsidies</b>	2 334	0	7 500,000	24 130 544
<b>15 Recurring Revenue Budget (Line 12+13+14)</b>	3 594 980	9 248 436	32 997 865	56 134 808

125

Standard Data Set

<b>Constanta Municipality</b>				
<b>Expenditures - Actual at Year End</b>				
	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>
16 Administrative Expenses General Administration	170 955	1 589 757	1 292 354	1 855 055
17 Subsidies and Transfers General Administration	0	0	0	0
18 Capital Expenditures General Administration	53 220	53 407	203 300	952 091
19 Administrative Expenses Education	0	0	5 188 464	5 844 100
20 Subsidies and Transfers Education	0	0	0	0
21 Capital Expenditures Education	0	0	0	0
22 Administrative Expenses Health	2 227 551	4 955 545	7 559 739	8 648 403
23 Subsidies and Transfers Health	0	0	0	0
24 Capital Expenditures Health	0	0	0	0
25 Administrative Expenses Culture & Sports	0	0	501,840	1 087 580
26 Subsidies and Transfers Culture & Sports	0	0	0	0
27 Capital Expenditures Culture & Sports	0	0	0	0
28 Administrative Expenses Social Assistance	203 971	542 821	875,893	1 660 358
29 Subsidies and Transfers Social Assistance	2 334	0	68 876	0
30 Capital Expenditures Social Assistance	0	25 004	142 250	95 000
31 Administrative Expenses Public Works & Housing	1,868 629	3 227,533	9 383 030	12 264 070
32 Subsidies and Transfers Public Works & Housing	0	0	4 094 018	8 544 406
33 Capital Expenditures Public Works & Housing	476 737	736 163	6 245 030	4 709 805
34 Administrative Expenses Transportation & Communication	0	0	0	0
35 Subsidies and Transfers Transportation & Communication	0	0	5 421 268	16 978 919
36 Capital Expenditures Transportation & Communication	0	0	0	3 350 000
37 Administrative Expenses Other Economic Activities	0	0	0	0
38 Subsidies and Transfers Other Economic Activities	0	0	0	0
39 Capital Expenditures Other Economic Activities	0	0	0	0
40 Administrative Expenses Other Activities	0	0	0	531 635
41 Subsidies and Transfers Other Activities	0	0	0	0
42 Capital Expenditures Other Activities	0	0	0	0
<b>Operating Expenditures by Chapter</b>				
43 General Administration Oper Exp (Line 16+17)	170 955	1,589 757	1,292 354	1 855 055
44 Education Oper Exp (Line 19+20)	0	0	5 188 464	5 844 100
45 Health Oper Exp (Line 22+23)	2 227 551	4 955 545	7 559 739	8 648 403
46 Culture & Sports Oper Exp (Line 25+26)	0	0	501 840	1 087 580
47 Social Assistance Oper Exp (Line 28+29)	206 305	542 821	944 769	1 660,358
48 Public Works & Housing Oper Exp (Line 31+32)	1 868 629	3 227 533	13 477 048	20 808 476
49 Transportation & Communication Oper Exp (Line 34+35)	0	0	5 421 268	16 978 919
50 Other Economic Activities Oper Exp (Line 37+38)	0	0	0	0
51 Other Activities Oper Exp (Line 40+41)	0	0	0	531 635

126

**Standard Data Set**

**Constanta Municipality**

<b>Expenditures - Actual at Year End</b>	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>
52 <i>Total Operating Expenditures (Line 53+54+55)</i>	4,473 440	10 315 656	34,385 482	57 414 526
Of which      Change in Operating Expenditures (current year/previous year)		2 31	3 33	1 67
53 <i>Total Administrative Expenses (Line 16+19+22+25+28+31+34+37+40)</i>	4 471,106	10 315 656	24 801 320	31 891,201
54 <i>Total Subsidies &amp; Transfers (Line 17+20+23+26+29+32+35+38+41)</i>	2,334	0	9 584 162	25 523 325
55 <i>Interest Payments</i>	0	0	0	0
56 <i>Total Capital Expenditures (Line 18+21+24+27+30+33+36+39+42)</i>	529 957	814 574	6 590 580	9 106 896
57 <i>Other Payments (Line 58+59+60)</i>	0	0	1 912	0
Of which				
58 <i>Principal Repayments</i>	0	0	0	0
59 <i>Set Aside for Reserves</i>	0	0	1,912	0
60 <i>Distribution of Surplus</i>	0	0	0	0
61 <i>Total Annual Debt Service (Principal+Interest Payments)</i>	0	0	0	0
62 <i>Total Expenditures</i>	5 003 397	11 130 230	40 977 974	66 521 422
	5 003 397	11 130 230	40 977 974	0
63 <i>Verify Line 62 = Sum (Line 52+56+57)</i>	OK	OK	OK	OK
<b>Expenditures - Initial Approved Budget</b>	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>
64 <i>Operating Expenditure Budget</i>	0	11 260 136	32 748 279	61 531 786
65 <i>Capital Expenditure Budget</i>	0	872 300	6 590 580	10 781 000
<b>Other Non-Financial Data</b>				
66 <i>Total Local Government Employees (Municipal or Judet)</i>	0	0	0	162
67 <i>Total Population (Municipality or Judet)</i>	348 985	348,575	348 269	346 830
68 <i>Year to Year Inflation</i>	296 0%	62 7%	27 8%	56 9%
69 <i>Deflator (Base Year = 1995)</i>	2 08	1 28	1 00	0 64

127

## Indicators

<b>Constanta Municipality</b>				
<b>Financial Performance Indicators</b>	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>
<i>Key Revenue Indicators</i>				
<b>1</b> - Recurring Revenues/Total Revenues	0 71	0 72	0 85	0 84
<b>2</b> - Shared National Tax Revenues/Recurring Revenues	0 41	0 42	0 20	0 20
<b>3</b> - State Operating Subsidies/Recurring Revenues	0 00	0 00	0 27	0 43
<b>4</b> - Local Taxes & Fees/Recurring Revenues	0 59	0 58	0 53	0 37
<b>5</b> - Proceeds from Asset Sales/Total Revenues	0 00	0 00	0 00	0 01
<i>Key Expenditure Indicators</i>				
<b>6</b> - Total Expenditures Per Capita (1000 lei)	14 34	31 93	117 66	191 80
<b>7</b> - Operating Expenditures Per Capita (1000 lei)	12 82	29 59	98 73	165 54
<b>8</b> - Operating Expenditures/Total Expenditures	0 89	0 93	0 84	0 86
<b>9</b> - Capital Expenditures/Total Expenditures	0 11	0 07	0 16	0 14
<i>Key Indicators of Net Results</i>				
<b>10</b> - Total Expenditures/Total Revenues	0 99	1 00	1 00	1 00
<b>11</b> - Operating Expenditures/Recurring Revenues	1 24	1 29	0 99	1 02
<b>12</b> - Recurring Surplus/Shared National Tax Revenues	-0 60	-0 67	0 04	0 11
<b>13</b> - Recurring Surplus/Local Taxes & Fees	-0 41	-0 49	0 02	-0 06
<i>Key Actual to Budget Performance Indicators</i>				
<b>14</b> - Actual Revenues/Initial Revenue Budget	1 00	0 92	1 06	1 00
<b>15</b> - Actual Recurring Revenues/Initial Recurring Revenue Budget	1 00	0 87	1 05	1 00
<b>16</b> - Actual Local Taxes and Fees/Local Taxes and Fees Budget	1 00	0 79	1 01	1 00
<b>17</b> - Actual Shared National Tax Revenues/National Tax Budget	1 00	1 00	0 95	1 00
<b>18</b> - Actual Expenditures/Initial Expenditure Budget	#DIV/0!	0 92	1 04	0 92
<b>19</b> - Actual Operating Expenditures/Initial Operating Expenditure Budget	#DIV/0!	0 92	1 05	0 93
<b>20</b> - Actual Capital Expenditures/Initial Capital Expenditure Budget	#DIV/0!	0 93	1 00	0 84



## Indicators

### Constanta Municipality

<i>Key Relative Performance Indicators</i>	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>
<b>21</b> - Change in Recurring Revenues /Change in Total Revenues	n/a	1 01	1 18	1 00
<b>22</b> Change in Operating Expenditures/Change in Recurring Revenues	n/a	1 03	0 77	1 03
 <i>Key Debt Service Indicators</i>				
<b>23</b> Total Annual Debt Service/Recurring Revenues	0 00	0 00	0 00	0 00
<b>24</b> - Interest Payments/Recurring Revenues	0 00	0 00	0 00	0 00
<b>25</b> Total Annual Debt Service/Recurring Surplus before Interest Payments	0 00	0 00	0 00	0 00
<b>26</b> Max Future Debt Service/Recurring Surplus before Interest Payments	7 86	-3 02	21 92	0 00
 <i>Operating Expenditure Indicators by Chapter (1000 lei)</i>				
<b>27</b> - General Administration Expenditures/Per Capita	0 49	4 56	3 71	5 35
<b>28</b> Education Expenditures/Per Capita	0 00	0 00	14 90	16 85
<b>29</b> Health Expenditures/Per Capita	6 38	14 22	21 71	24 94
<b>30</b> - Culture & Sports Expenditures/Per Capita	0 00	0 00	1 44	3 14
<b>31</b> Social Assistance Expenditures/Per Capita	0 59	1 56	2 71	4 79
<b>32</b> Public Works & Housing Expenditures/Per Capita	5 35	9 26	38 70	60 00
<b>33</b> - Transportation Expenditures/Per Capita	0 00	0 00	15 57	48 95
<b>34</b> Other Economic Expenditures/Per Capita	0 00	0 00	0 00	0 00
<b>35</b> Other Expenditures/Per Capita	0 00	0 00	0 00	1 53
 <i>Operating Expenditure Indicators by Chapter (Constant 1995, 1000 Lei)</i>				
<b>36</b> General Administration Expenditures/Per Capita	1 02	5 83	3 71	3 41
<b>37</b> Education Expenditures/Per Capita	0 00	0 00	14 90	10 74
<b>38</b> Health Expenditures/Per Capita	13 27	18 17	21 71	15 89
<b>39</b> Culture & Sports Expenditures/Per Capita	0 00	0 00	1 44	2 00
<b>40</b> - Social Assistance Expenditures/Per Capita	1 23	1 99	2 71	3 05
<b>41</b> Public Works & Housing Expenditures/Per Capita	11 13	11 83	38 70	38 24
<b>42</b> Transportation Expenditures/Per Capita	0 00	0 00	15 57	31 20
<b>43</b> - Other Economic Expenditures/Per Capita	0 00	0 00	0 00	0 00
<b>44</b> Other Expenditures/Per Capita	0 00	0 00	0 00	0 98

129

## Indicators

### Constanta Municipality

<b>Actual Net Operating Results</b>	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>
<b>Recurring Revenues Total</b>	3,594,980	8,027,090	34,700,323	56,134,808
Of which				
<i>Local Taxes and Fees</i>	2,124,389	4,627,090	18,251,268	20,705,944
<i>Shared National Tax Revenues</i>	1,468,257	3,400,000	7,083,411	11,298,320
<i>State Operating Subsidies</i>	2,334	0	9,365,644	24,130,544
 <b>Operating Expenditures Total</b>	 4,473,440	 10,315,656	 34,385,482	 57,414,526
Of which				
- <i>General Administration</i>	170,955	1,589,757	1,292,354	1,855,055
<i>Education</i>	0	0	5,188,464	5,844,100
<i>Health</i>	2,227,551	4,955,545	7,559,739	8,648,403
- <i>Culture &amp; Sports</i>	0	0	501,840	1,087,580
- <i>Social Assistance</i>	206,305	542,821	944,769	1,660,358
<i>Public Works &amp; Housing</i>	1,868,629	3,227,533	13,477,048	20,808,476
- <i>Transportation &amp; Communication</i>	0	0	5,421,268	16,978,919
<i>Other Economic Activities</i>	0	0	0	0
<i>Other Activities</i>	0	0	0	531,635
 <i>Interest Payments</i>	 0	 0	 0	 0
 <b>Recurring Surplus (Deficit)</b>	 (878,460)	 (2,288,566)	 314,841	 (1,279,718)
 <b>Non-recurring Operating Revenues Total</b>	 704,952	 2,157,300	 2,683,861	 3,486,253
Of which				
- <i>Non recurring Local Operating Revenues</i>	704,952	2,157,300	2,683,861	3,486,253
 <b>Net Operating Surplus (Deficit)</b>	 (173,508)	 (131,266)	 2,998,702	 2,206,535

## Indicators

### Constanta Municipality

	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>
<b>Capital Revenues Total</b>	745,639	967,741	3,598,794	6,900,361
Of which				
- Local Capital Revenues	745,639	967,741	824,994	560,361
- State Capital Subsidies	0	0	2,773,800	6,340,000
<b>Total Funds Available for Investments</b>	572,131	836,475	6,597,496	9,106,896
<b>Capital Expenditures Total by Chapter</b>	529,957	814,574	6,590,580	9,106,896
<i>General Administration</i>	53,220	53,407	203,300	952,091
<i>Education</i>	0	0	0	0
- <i>Health</i>	0	0	0	0
<i>Culture &amp; Sports</i>	0	0	0	0
<i>Social Assistance</i>	0	25,004	142,250	95,000
- <i>Public Works &amp; Housing</i>	476,737	736,163	6,245,030	4,709,805
<i>Transportation &amp; Communication</i>	0	0	0	3,350,000
- <i>Other Economic Activities</i>	0	0	0	0
<i>Other Activities</i>	0	0	0	0
<b>Overall Surplus (Deficit)</b>	42,174	21,901	6,916	0
<b>Minus Other Payments Total</b>	0	0	1,912	0
Of which				
<i>Principal Repayments</i>	0	0	0	0
<i>Set Aside for Reserves</i>	0	0	1,912	0
<i>Distribution of Surplus</i>	0	0	0	0
Verify Overall Surplus (Deficit) minus Other Payments = 0	Error	Error	Error	OK

131

## Indicators

### Constanta Municipality

#### Actual Net Operating Results - Constant 1995 lei

	1993	1994	1995	1996
<b>Recurring Revenues Total</b>	7,475,063	10,258,621	34,700,323	35,777,443
Of which				
- Local Taxes and Fees	4,417,255	5,913,421	18,251,268	13,196,905
- Shared National Tax Revenues	3,052,956	4,345,200	7,083,411	7,200,969
State Operating Subsidies	4,853	0	9,365,644	15,379,569
<b>Operating Expenditures Total</b>	9,301,651	13,183,408	34,385,482	36,593,069
Of which				
- General Administration	355,468	2,031,709	1,292,354	1,182,317
- Education	0	0	5,188,464	3,724,729
- Health	4,631,760	6,333,187	7,559,739	5,512,048
- Culture & Sports	0	0	501,840	693,168
- Social Assistance	428,971	693,725	944,769	1,058,227
- Public Works & Housing	3,885,451	4,124,787	13,477,048	13,262,254
Transportation & Communication	0	0	5,421,268	10,821,491
- Other Economic Activities	0	0	0	0
Other Activities	0	0	0	338,837
<i>Interest Payments</i>	0	0	0	0
<b>Recurring Surplus (Deficit)</b>	(1,826,587)	(2,924,787)	314,841	(815,627)
<b>Non-recurring Operating Revenues Total</b>	1,465,811	2,757,029	2,683,861	2,221,959
Of which				
Non recurring Local Operating Revenues	1,465,811	2,757,029	2,683,861	2,221,959
<b>Net Operating Surplus (Deficit)</b>	(360,776)	(167,758)	2,998,702	1,406,332

132

## Indicators

### Constanta Municipality

	1993	1994	1995	1996
<b>Capital Revenues Total</b>	1,550,412	1,236,773	3,598,794	4,397,936
Of which				
Local Capital Revenues	1,550,412	1,236,773	824,994	357,145
- State Capital Subsidies	0	0	2,773,800	4,040,790
<b>Total Funds Available for Investments</b>	1,189,635	1,069,015	6,597,496	5,804,268
<b>Capital Expenditures Total by Chapter</b>	1,101,943	1,041,026	6,590,580	5,804,268
- <i>General Administration</i>	110,661	68,254	203,300	606,814
<i>Education</i>	0	0	0	0
<i>Health</i>	0	0	0	0
<i>Culture &amp; Sports</i>	0	0	0	0
<i>Social Assistance</i>	0	31,955	142,250	60,548
<i>Public Works &amp; Housing</i>	991,282	940,816	6,245,030	3,001,788
<i>Transportation &amp; Communication</i>	0	0	0	2,135,118
<i>Other Economic Activities</i>	0	0	0	0
<i>Other Activities</i>	0	0	0	0
<b>Overall Surplus (Deficit)</b>	87,693	27,989	6,916	(0)

1999

## Projections

**Constanta Municipality**

**Actual and Projected Cash Flow**

**Current Trends Constant 1995 Lei**

	1993	1994	1995	1996	1997	1998	1999	2000	2001
<b>Recurring Revenues Total</b>	7 475 063	10 258 621	34 700 323	35 777 443	50 347 039	61 520 932	72 694 824	83 868 716	95 042 608
Of which									
<i>Local Taxes and Fees</i>	4 417 255	5 913 421	18 251 268	13 196 905	19 737 349	23 379 091	27 020 833	30 662 575	34 304 317
<i>Shared National Tax Revenues</i>	3 052 956	4 345 200	7 083 411	7 200 969	9 216 196	10 734 422	12 252 647	13 770 872	15 289 097
<i>State Operating Subsidies</i>	4 853	0	9 365 644	15 379 569	21 393 494	27 407 419	33 421 345	39 435 270	45 449 195
<b>Operating Expenditures Total</b>	9 301 651	13 183 408	34 385 482	36 593 069	46 768 581	55 787 468	65 073 620	75 157 032	85 240 443
Of which									
<i>General Administration</i>	355 468	2 031 709	1 292 354	1 182 317	652 734	1 026 458	1 000 972	975 486	950 000
<i>Education</i>	0	0	5 188 464	3 724 729	2 260 994	797 259	0	0	0
<i>Health</i>	4 631 760	6 333 187	7 559 739	5 512 048	6 976 037	7 362 779	7 749 520	8 136 262	8 523 003
<i>Culture &amp; Sports</i>	0	0	501 840	693 168	944 088	1 202 222	1 460 356	1 718 490	1 976 625
<i>Social Assistance</i>	428 971	693 725	944 769	1 058 227	1 316 126	1 530 007	1 743 888	1 957 769	2 171 650
<i>Public Works &amp; Housing</i>	3 885 451	4 124 787	13 477 048	13 262 254	18 058 052	21 806 319	25 554 585	29 302 852	33 051 119
<i>Transportation &amp; Communication</i>	0	0	5 421 268	10 821 491	16 221 714	21 621 936	27 022 159	32 422 382	37 822 605
<i>Other Economic Activities</i>	0	0	0	0	0	0	0	0	0
<i>Other Activities</i>	0	0	0	338 837	338 837	440 488	542 139	643 790	745 441
<i>Interest Payments</i>	0	0	0	0	0	0	0	0	0
	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>
<b>Recurring Surplus (Deficit)</b>	(1 826 587)	(2 924 787)	314 841	(815 627)	3 578 458	5 733 464	7 621 204	8 711 685	9 802 165
<b>Non recurring Operating Revenues Total</b>	1 465 811	2 757 029	2 683 861	2 221 959	2 019 212	1 751 677	1 484 141	1 216 606	949 071
Of which									
<i>Non recurring Local Operating Revenues</i>	1 465 811	2 757 029	2 683 861	2 221 959	2 019 212	1 751 677	1 484 141	1 216 606	949 071
<b>Net Operating Surplus (Deficit)</b>	(360 776)	(167 758)	2 998 702	1 406 332	5 597 670	7 485 140	9 105 345	9 928 290	10 751 236

134

## Projections

**Constanta Municipality**

**Actual and Projected Cash Flow**

**Policy Scenario Constant 1995 Lei**

	1993	1994	1995	1996	1997	1998	1999	2000	2001
<b>Recurring Revenues Total</b>	7 475 063	10 258 621	34 700 323	35 777 443	50 347 039	61 520 932	72 694 824	83 868 716	95 042 608
Of which									
<i>Local Taxes and Fees</i>	4 417 255	5 913 421	18 251 268	13 196 905	19 737 349	23 379 091	27 020 833	30 662 575	34 304 317
<i>Shared National Tax Revenues</i>	3 052 956	4 345 200	7 083 411	7 200 969	9 216 196	10 734 422	12 252 647	13 770 872	15 289 097
<i>State Operating Subsidies</i>	4 853	0	9 365 644	15 379 569	21 393 494	27 407 419	33 421 345	39 435 270	45 449 195
<b>Operating Expenditures Total</b>	9 301 651	13 183 408	34 385 482	36 593 069	62 595 069	73 040 816	83 087 721	93 134 992	103 182 623
Of which									
<i>General Administration</i>	355 468	2 031 709	1 292 354	1 182 317	652 734	1 026 458	1 000 972	975 486	950 000
<i>Education</i>	0	0	5 188 464	3 724 729	3 687 482	3 650 607	3 614 101	3 577 960	3 542 180
<i>Health</i>	4 631 760	6 333 187	7 559 739	5 512 048	6 976 037	7 362 779	7 749 520	8 136 262	8 523 003
<i>Culture &amp; Sports</i>	0	0	501 840	693 168	944 088	1 202 222	1 460 356	1 718 490	1 976 625
<i>Social Assistance</i>	428 971	693 725	944 769	1 058 227	1 316 126	1 530 007	1 743 888	1 957 769	2 171 650
<i>Public Works &amp; Housing</i>	3 885 451	4 124 787	13 477 048	13 262 254	18 058 052	21 806 319	25 554 585	29 302 852	33 051 119
<i>Transportation &amp; Communication</i>	0	0	5 421 268	10 821 491	16 221 714	21 621 936	27 022 159	32 422 382	37 822 605
<i>Other Economic Activities</i>	0	0	0	0	0	0	0	0	0
<i>Other Activities</i>	0	0	0	338 837	338 837	440 488	542 139	643 790	745 441
<i>Interest Payments</i>	0	0	0	0	14 400 000	14 400 000	14 400 000	14 400 000	14 400 000
<b>Recurring Surplus (Deficit)</b>	<b>(1 826 587)</b>	<b>(2 924 787)</b>	<b>314 841</b>	<b>(815 627)</b>	<b>(12 248 029)</b>	<b>(11 519 884)</b>	<b>(10 392 897)</b>	<b>(9 266 275)</b>	<b>(8 140 015)</b>

## Projections

<b>Constanta Municipality</b>									
<b>Policy Scenario Assumptions</b>	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>
<b>Percent (%) Change in Real Terms by Year</b>									
<b>Recurring Revenues Total</b>									
Of which									
<i>Local Taxes and Fees</i>	n/a	n/a	n/a						
<i>Shared National Tax Revenues</i>	n/a	n/a	n/a						
<i>State Operating Subsidies</i>	n/a	n/a	n/a						
<b>Operating Expenditures Total</b>									
Of which									
<i>General Administration</i>	n/a	n/a	n/a						
<i>Education</i>	n/a	n/a	n/a		1 00%	1 00%	1 00%	1 00%	1 00%
<i>Health</i>	n/a	n/a	n/a						
<i>Culture &amp; Sports</i>	n/a	n/a	n/a						
<i>Social Assistance</i>	n/a	n/a	n/a						
<i>Public Works &amp; Housing</i>	n/a	n/a	n/a						
<i>Transportation &amp; Communication</i>	n/a	n/a	n/a						
<i>Other Economic Activities</i>	n/a	n/a	n/a						
<i>Other Activities</i>	n/a	n/a	n/a						

Do you think that changes in policy may create new trends for future revenues and expenditures? If so enter in decimal form what you estimate to be the percent change in real terms not inflationary change. You can enter positive or negative percents for each category of revenues and expenditures in the above section. These percents will modify the projections in the policy scenario section. If no percent is entered the value in the policy scenario will be the same as that in the computer trends. If zero is entered the value of that category will be the same as in the previous year (in constant lei). You can compare the projections made by the computer in the trend section with your projections in the policy scenario.

	Principal	Interest Rate	Term (In Years)	Fx Rate					
<i>Assume Loan</i>	20000	9 0%	5	8000					
<i>Interest Payments</i>	n/a	n/a	n/a	n/a	14 400 000	14 400 000	14 400 000	14 400 000	14 400 000



**Appendix III**

**Detailed Financial Information on  
RADET, RATC and ECOSAL  
Municipality of Constanta**

**Net Cash Flow Analysis**  
Constant 1995 Lei

RATC Constanta	1994	1995	1996	1997	1998
Net Income	13,933	663,461	(1,370,280)	(1,484,737)	(3,983,925)
<i>Cash Flow from Operations</i>					
<b>Adjust Net Income to net cash provided by operating activities</b>					
Add back DEPRECIATION, AMORTIZATION, PROVISIONS	1,384,394	1,089,061	730,976	358,194	316,615
<b>Adjust for change in assets and liabilities</b>					
Add back increase in A/P and any other payable (including accrued liabilities and penalties)	633,635	2,727,273	(69,274)	1,083,616	507,171
Subtract increase in A/R and any other accrued receivable	(1,227,461)	(2,790,761)	(1,465,490)	(2,128,125)	(1,796,808)
Subtract increase in any of the INVENTORY	(331,870)	(1,099,674)	(589,091)	(844,382)	(716,737)
<b>Net Cash Flow from Operations</b>	<b>472,631</b>	<b>589,360</b>	<b>(2,763,159)</b>	<b>(3,015,435)</b>	<b>(5,673,683)</b>
<i>Cash Flow from Investments</i>					
/+ (Purchase) / sales of PROPERTY, PLANT AND EQUIPMENT					
/+ (Purchase) / sale of other INVESTMENTS					
<b>Net Cash Flow from Investments</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<i>Cash Flow from Financing</i>					
Subtract increase in PREPAID EXPENSES	0	(10,906)	(12,203)		
Add increase in UNEARNED REVENUES	1,806,596	605,622	1,358,884		
Add increase in CREDITS & LOANS	(74,816)	690,611	(409,114)		
Subtract DIVIDENDS paid to the owner	(6,967)	(331,730)			
<b>Net Cash Flow from Financing</b>	<b>1,724,813</b>	<b>953,597</b>	<b>937,567</b>	<b>922,836</b>	<b>1,158,098</b>
<b>Net Cash Flow for the Period</b>	<b>2,197,445</b>	<b>1,542,956</b>	<b>(1,825,592)</b>	<b>(2,092,599)</b>	<b>(4,515,584)</b>
<b>BEGINING Cash</b>	<b>283,798</b>	<b>2,481,242</b>	<b>4,074,029</b>	<b>1,757,166</b>	<b>(335,433)</b>
<b>ENDING Cash</b>	<b>2,481,242</b>	<b>4,074,029</b>	<b>1,757,166</b>	<b>(335,433)</b>	<b>(4,851,018)</b>

138

**Profit and Loss**

	TOTAL 1994	TOTAL 1995	TOTAL 1996	TOTAL 1997	TOTAL 1998
<b>FINANCIAL RESULTS RATC Constanta</b>	1 34	1 00	0 67	0 36	0 33
1 Revenues from goods (merchandise) sold	61 005	153 480	160 078	139 765	175 009
2 Revenues from Core Activity	13 178 951	17 585 653	16 177 195	16 881 424	18 725 172
3 Turnover	13 239 956	17 739 133	16 337 273	17 021 189	18 901 181
4 or <5> Inventories evaluated	1 301 785	1 543 787	1 418 365	1 481 081	1 600 269
6 Assets in Process evaluated	6 822		35 911	17 955	26 597
7 Total Production	14 487 557	19 129 450	17 631 470	18 380 460	20 353 038
8 Subventions for Core Activity	9 066 289	7 109 514	9 956 948	9 180 000	8 280 000
9 Other Revenues	61 651	56 948	223 517	140 233	189 904
10 Rev. from Provisions for Core Activity					
<b>11 Total Revenues Core Activity</b>	<b>23 676 502</b>	<b>31 330 174</b>	<b>27 972 014</b>	<b>27 840 458</b>	<b>28 997 951</b>
12 Merchandise	64 699	167 837	155 855	161 846	175 910
13 Raw Materials					
14 Consumables	5 794 995	7 495 871	7 739 556	8 097 870	8 997 703
15 Energy and Water	3 271 472	3 500 972	2 653 809		
16 Other Materials	55 002	96 428	107 684		
17 Total Materials	9 121 468	11 093 271	10 501 048	10 797 160	11 996 838
18 Other Costs	480 080	1 574 640	1 846 852	1 710 746	1 948 201
19 Taxes	1 394 953	2 096 418	1 876 231	1 986 324	2 180 225
20 Personnel	8 518 426	10 814 342	10 822 716		
21 Labor Burden	2 832 834	3 571 036	3 348 171		
22 Total Personnel	11 351 259	14 385 379	14 170 887	14 278 133	16 288 707
23 Other Operational Costs	17 845	2 398	30	1 214	634
24 Depreciation for core activity	1 384 394	1 089 061	730 976	358 194	316 615
<b>25 Total Costs for Core Activity</b>	<b>23 814 700</b>	<b>30 409 004</b>	<b>29 281 878</b>	<b>29 293 617</b>	<b>32 907 230</b>
<b>26 or &lt;27&gt; Profit or &lt;Loss&gt; Core Activity</b>	<b>(138 198)</b>	<b>921 170</b>	<b>(1 309 865)</b>	<b>(1 453 159)</b>	<b>(3 909 279)</b>
<b>34 Total Financial Revenues</b>	<b>83 270</b>	<b>31 081</b>	<b>6 533</b>	<b>18 807</b>	<b>13 989</b>
38 Interest Expense	49 774	67 175	149 829		
40 Amortization / Provisions for Losses					
<b>41 Total Financial Costs</b>	<b>49 774</b>	<b>67 175</b>	<b>149 829</b>	<b>108 502</b>	<b>142 055</b>
<b>42 or &lt;43&gt; Profit or &lt;Loss&gt; Financial Activity</b>	<b>33 496</b>	<b>(36 095)</b>	<b>(143 296)</b>	<b>(89 695)</b>	<b>(128 066)</b>
<b>44 or &lt;45&gt; Current Profit or &lt;Loss&gt;</b>	<b>(104 702)</b>	<b>885 075</b>	<b>(1 453 161)</b>	<b>(1 542 854)</b>	<b>(4 037 345)</b>
46 Extraordinary Revenues	141 211	143 961	175 571	107 043	86 633
account 671 + 672 Extraordinary Costs	1 051	53 359	92 689		
a/c 687 Amortisation / Provisions for Ex Losses					
<b>47 Extraordinary Costs Total</b>	<b>1 051</b>	<b>53 359</b>	<b>92 689</b>	<b>48 926</b>	<b>33 213</b>
<b>48 or &lt;49&gt; Extraordinary Profit or &lt;Loss&gt;</b>	<b>140 160</b>	<b>90 602</b>	<b>82 881</b>	<b>58 117</b>	<b>53 420</b>
<b>52 or &lt;53&gt; Gross Profit or &lt;Loss&gt;</b>	<b>35 458</b>	<b>975 678</b>	<b>(1 370 280)</b>	<b>(1 484 737)</b>	<b>(3 983 925)</b>
54 Income Tax	21 524	289 520			
55 Prepaid Tax		22 697			
<b>56 or &lt;57&gt; Net Profit or &lt;Loss&gt;</b>	<b>13 933</b>	<b>663 461</b>	<b>(1 370 280)</b>	<b>(1 484 737)</b>	<b>(3 983 925)</b>

139

## Financial Ratios

RATC Constanta	1994	1995	1996	1997	1998
<b><u>Vulnerability</u></b>					
Subsidies cover of CF from Operations	100 0%	100 0%	neg CF	neg CF	neg CF
Subsidies cover of Payroll	79 9%	49 4%	70 3%	64 3%	50 8%
w/out labor burden	106 4%	65 7%	92 0%	91 8%	72 6%
Net CF from Ops as % of Payroll	4 2%	4 1%	neg CF	neg CF	neg CF
w/out labor burden	5 5%	4 4%	neg CF	neg CF	neg CF
Net CF from Ops as % of Energy and Water	14 4%	16 8%	neg CF	neg CF	neg CF
<b><u>Profitability</u></b>					
* Operating Profit Margin	0 6%	2 9%	4 7%	5 2%	13 5%
* Gross Margin	0 1%	3 1%	-4 9%	5 3%	13 7%
<b><u>Leverage</u></b>					
* debt to assets	2 3%	6 8%	5 1%	19 4%	25 8%
w/out A/C Rec	2 4%	7 4%	5 7%	22 7%	32 4%
* debt to revenues ( core activ)	6 7%	14 4%	7 7%	24 2%	31 3%
w/out subsidies	10 8%	23 4%	11 9%	36 2%	43 8%
* net CF % of TOTAL LIABILITIES	145 3%	29 1%	neg CF	3 7%	6 2%
<b><u>Liquidity</u></b>					
* current ratio	323 3%	219 1%	354 6%	76 0%	78 2%
<b><u>Turns (days)</u></b>					
	360				
* collection period	75	107	99	109	135
* days sales in cash	8	4	9	0	0
* payable period	5	18	7	83	99
<b><u>Others</u></b>					
* consumables % of total costs	24 3%	24 7%	26 4%	27 6%	27 3%
* sal % of total costs	35 8%	35 6%	37 0%	48 7%	49 5%
* subsidies % of total costs	38 1%	23 4%	34 0%	31 3%	25 2%
* subsidies % of turnover	68 5%	40 1%	60 9%	53 9%	43 8%

RATC Constanta  
Council - Regia Flow of Funds

	1994	1995	1996	1997	1998
<b>Money from Council to Regia</b>	<b>9,066,289</b>	<b>7,109,514</b>	<b>9,956,948</b>	<b>9,180,000</b>	<b>8,280,000</b>
Transfer (State subvention)	9 066 289	7,109 514	9,956 948	9,180 000	8,280,000
Local subsidies (or financial help) if any	-	-			
<b>Money from Regia to Council</b>	<b>4,256,278</b>	<b>6,288,704</b>	<b>5,224,402</b>	<b>1,986,324</b>	<b>2,180,225</b>
Income tax	4,249 312	5 956 974	5 224 402	1 986 324	2,180 225
Part from profit	6 967	331 730		-	
<b>Net Gain (Loss) to Council</b>	<b>(4,810,010)</b>	<b>(820,810)</b>	<b>(4,732,546)</b>	<b>(7,193,676)</b>	<b>(6,099,775)</b>
<b>% of Total Adj Revenues / (Expenses)</b> *)	<b>-70 0%</b>	<b>-2 4%</b>	<b>-7 7%</b>		
Total Revenues Council	11 152 131	40 982 978	66 521,422		
Total Expenses Council	11 130,230	40 977,974	66,521 422		
Adj Revenues / Expenses	6,873,952	34 689 270	61 297 020		

141

**Net Cash Flow Analysis**  
Constant 1995 Lei

RADET Constanta	1994	1995	1996	1997	1998
Net Income	(7,021,920)	(9,648,205)	(1,559,439)	(3,767,615)	(4,504,766)
<i>Cash Flow from Operations</i>					
<b>Adjust Net Income to net cash provided by operating activities</b>					
Add back DEPRECIATION, AMORTIZATION, PROVISIONS	11,272	1,864,376	1,212,530	641,577	567,104
<b>Adjust for change in assets and liabilities</b>					
Add back increase in A/P and any other payable (including accrued liabilities and penalties)	8,299,900	8,942,951	(377,263)	3,137,843	4,552,134
Subtract increase in A/R and any other accrued receivable	(2,063,731)	(1,187,013)	593,034	(1,276,179)	(1,754,746)
Subtract increase in any of the INVENTORY	(129,985)	(111,196)	(303,277)	(126,000)	(173,250)
<b>Net Cash Flow from Operations</b>	<b>(904,465)</b>	<b>(139,088)</b>	<b>(434,415)</b>	<b>(1,390,374)</b>	<b>(1,313,525)</b>
<i>Cash Flow from Investments</i>					
/+ (Purchase) / sales of PROPERTY, PLANT AND EQUIPMENT					
/+ (Purchase) / sale of other INVESTMENTS					
<b>Net Cash Flow from Investments</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<i>Cash Flow from Financing</i>					
Subtract increase in PREPAID EXPENSES	(8,309)	(195,782)	105,331	0	0
Add increase in UNEARNED REVENUES	0	0	0	0	0
Add increase in CREDITS & LOANS	335,000	228,675	1,838,363	(360,000)	(720,000)
Subtract DIVIDENDS paid to the owner	0				
<b>Net Cash Flow from Financing</b>	<b>326,691</b>	<b>32,893</b>	<b>1,943,693</b>	<b>(360,000)</b>	<b>(720,000)</b>
<b>Net Cash Flow for the Period</b>	<b>(577,775)</b>	<b>(106,195)</b>	<b>1,509,279</b>	<b>(1,750,374)</b>	<b>(2,033,525)</b>
<b>BEGINING Cash</b>	<b>935,424</b>	<b>134,748</b>	<b>28,553</b>	<b>1,537,832</b>	<b>(212,542)</b>
<b>ENDING Cash</b>	<b>134,748</b>	<b>28,553</b>	<b>1,537,832</b>	<b>(212,542)</b>	<b>(2,246,067)</b>

Data in thousand lei

142

**Profit and Loss**

	TOTAL 1993	TOTAL 1994	TOTAL 1995	TOTAL 1996	TOTAL 1997	TOTAL 1998
<b>FINANCIAL RESULTS RADET Constanta</b>	<b>2 01</b>	<b>1 34</b>	<b>1 00</b>	<b>0 67</b>	<b>0 36</b>	<b>0 33</b>
1 Revenues from goods (merchandise) sold						
2 Revenues from Core Activity		14 374 862	14 957 243	14 133 563	14 545 403	14 694 429
3 Turnover		14 374 862	14 957 243	14 133 563	14 545 403	14 694 429
4 or <5> Inventories evaluated						
6 Assets in Process evaluated						
7 Total Production		14 374 862	14 957 243	14 133 563	14 545 403	14 694 429
8 Subventions for Core Activity		3 224 695	5 047 919	8 229 773	7 650 000	6 900 000
9 Other Revenues		26 273	3 327	11 041	7 184	7 995
10 Rev. from Provisions for Core Activity						
<b>11 Total Revenues Core Activity</b>	<b>2 164 430</b>	<b>17 625 831</b>	<b>20 008 489</b>	<b>22 374 377</b>	<b>22 202 587</b>	<b>21 602 424</b>
12 Merchandise		71 847	11 822	12 031	11 927	11 973
13 Raw Materials		5 081	3 865	3 971		
14 Consumables		488 728	460 193	606 109		
15 Energy and Water		18 549 745	18 407 977	13 914 442	11 214 422	10 852 104
16 Other Materials		36 456	60 008	19 322		
17 Total Materials		19 080 010	18 932 043	14 543 844	16 737 944	16 197 171
18 Other Costs		2 269 080	4 611 655	3 315 750	3 963 703	3 880 079
19 Taxes		115 484	87 699	80 154	83 926	92 146
20 Personnel		2 241 867	3 117 790	3 615 152	3 072 943	3 701 973
21 Labor Burden		630 914	872 113	974 783	1 316 976	1 586 560
22 Total Personnel		2 872 780	3 989 903	4 789 935	4 389 919	5 288 533
23 Other Operational Costs						
24 Depreciation for core activity		11 272	1 864 376	1 212 530	641 577	567 104
<b>25 Total Costs for Core Activity</b>	<b>4 373 414</b>	<b>24 400 483</b>	<b>29 497 498</b>	<b>23 954 245</b>	<b>25 628 996</b>	<b>26 037 007</b>
<b>26 or &lt;27&gt; Profit or &lt;Loss&gt; Core Activity</b>	<b>(2 208 984)</b>	<b>(6 774 653)</b>	<b>(9 489 009)</b>	<b>(1 579 868)</b>	<b>(3 626 408)</b>	<b>(4 434 583)</b>
34 Total Financial Revenues	11 284	77 372	24 734	29 443	27 088	23 180
38 Interest Expense		25 987	15 048			
40 Amortization / Provisions for Losses						
<b>41 Total Financial Costs</b>	<b>1 622</b>	<b>47 021</b>	<b>183 337</b>	<b>9 014</b>	<b>168 096</b>	<b>93 296</b>
<b>42 or &lt;43&gt; Profit or &lt;Loss&gt; Financial Activity</b>	<b>9 662</b>	<b>30 351</b>	<b>(158 603)</b>	<b>20 429</b>	<b>(141 008)</b>	<b>(70 116)</b>
<b>44 or &lt;45&gt; Current Profit or &lt;Loss&gt;</b>	<b>(2 199 322)</b>	<b>(6 727 632)</b>	<b>(9 647 612)</b>	<b>(1 559 439)</b>	<b>(3 767 416)</b>	<b>(4 504 700)</b>
46 Extraordinary Revenues		476				
account 671 + 672 Extraordinary Costs		294 764	593			
a/c 687 Amortisation / Provisions for Ex. Losses						
<b>47 Extraordinary Costs Total</b>		<b>294 764</b>	<b>593</b>		<b>199</b>	<b>67</b>
<b>48 or &lt;49&gt; Extraordinary Profit or &lt;Loss&gt;</b>		<b>(294 288)</b>	<b>(593)</b>		<b>(199)</b>	<b>(67)</b>
<b>52 or &lt;53&gt; Gross Profit or &lt;Loss&gt;</b>	<b>(2 199 322)</b>	<b>(7 021 920)</b>	<b>(9 648 205)</b>	<b>(1 559 439)</b>	<b>(3 767 615)</b>	<b>(4 504 766)</b>
54 Income Tax						
55 Prepaid Tax						
<b>56 or &lt;57&gt; Net Profit or &lt;Loss&gt;</b>	<b>(2 199 322)</b>	<b>(7 021 920)</b>	<b>(9 648 205)</b>	<b>(1 559 439)</b>	<b>(3 767 615)</b>	<b>(4 504 766)</b>

## Financial Ratios

RADET Constanta	1994	1995	1996	1997	1998
<b><u>Vulnerability</u></b>					
Subsidies cover of CF from Operations	neg CF	neg CF	neg CF	neg CF	neg CF
Subsidies cover of Payroll	112 2%	126 5%	171 8%	174 3%	130 5%
w/out labor burden	143 8%	161 9%	215 7%	248 9%	186 4%
Net CF from Ops as % of Payroll	neg CF	neg CF	neg CF	neg CF	neg CF
w/out labor burden	neg CF	neg CF	neg CF	neg CF	neg CF
Net CF from Ops as % of Energy + Water	neg CF	neg CF	neg CF	neg CF	neg CF
<b><u>Profitability</u></b>					
* Operating Profit Margin	38 4%	47 4%	7 1%	16 3%	20 5%
* Gross Margin	39 9%	48 2%	7 0%	17 0%	20 9%
<b><u>Leverage</u></b>					
* debt to assets	23 0%	44 5%	50 0%	58 7%	79 7%
w/out A/C Rec	25 6%	51 3%	57 3%	73 2%	111 1%
* debt to revenues ( core activ)	76 5%	103 0%	59 5%	41 5%	60 2%
w/out subsidies	93 7%	139 2%	94 1%	63 3%	88 4%
* net CF % of TOTAL LIABILITIES	neg CF	neg CF	7 6%	neg CF	neg CF
<b><u>Liquidity</u></b>					
* current ratio	51 6%	38 2%	35 0%	38 1%	39 5%
<b><u>Turns (days)</u></b>					
* collection period	152	169	87	77	113
* days sales in cash	9	6	1	0	0
* payable period	190	248	170	128	180
<b><u>Others</u></b>					
* energy & water % of total costs	76 0%	62 4%	58 1%	43 4%	41 7%
* sal % of total costs	9 2%	10 6%	15 9%	17 0%	20 3%
* subsidies % of total costs	13 2%	17 1%	34 4%	29 6%	26 5%
* subsidies % of turnover	22 4%	33 7%	58 2%	52 6%	47 0%



**RADET Constanta**  
**Council - Regia Flow of Funds**

<u>Financial Flow Regii - Council</u>	1994	1995	1996	1997	1998
<b>Money from Council to Regii</b>	<b>3,224,695</b>	<b>5,047,919</b>	<b>8,229,773</b>	<b>7,650,000</b>	<b>6,900,000</b>
Transfer (State subvention)	3 224,695	5 047,919	8,229 773	7 650 000	6 900 000
Local subsidies (or financial help) if any					
<b>Money from Regii to Council</b>	<b>746,397</b>	<b>959,812</b>	<b>1,054,937</b>	<b>1,400,902</b>	<b>1,678,707</b>
Income & sal tax	746,397	959,812	1,054 937	1,400 902	1,678,707
Part from profit		-		-	
<b>Net Gain (Loss) to Council</b>	<b>(2,478,298)</b>	<b>(4,088,107)</b>	<b>(7,174,836)</b>	<b>(6,249,098)</b>	<b>(5,221,293)</b>
<b>% of Total Adj Revenues / (Expenses)</b>	<b>-23 9%</b>	<b>-10 2%</b>	<b>-11 0%</b>		
Total Revenues Council	11,152 131	40,982 978	66 521,422		
Total Expenses Council	11,130 230	40 977 974	66 521,422		
Adj Revenues / Expenses	10 383,833	40 018 162	65 466 485		

5/5

**Net Cash Flow Analysis**  
Constant 1995 Lei

Ecosal Constanta	1995	1996	1997	1998
Net Income				
<i>Cash Flow from Operations</i>	1	(60,367)	72,156	85,535
<b>Adjust Net Income to net cash provided by operating activities</b>				
Add back DEPRECIATION, AMORTIZATION, PROVISIONS	233,631	168,932	74,533	65,882
<b>Adjust for change in assets and liabilities</b>				
Add back increase in A/P and any other payable (including accrued liabilities and penalties)	170,181	320,357	21,600	49,500
Subtract increase in A/R and any other accrued receivable	(255,994)	(66,379)	(144,000)	(66,000)
Subtract increase in any of the INVENTORY	(55,882)	(79,051)	(18,000)	(9,900)
<b>Net Cash Flow from Operations</b>	<b>91,937</b>	<b>283,492</b>	<b>6,289</b>	<b>125,017</b>
<i>Cash Flow from Investments</i>				
-/+ (Purchase) / sales of PROPERTY, PLANT AND EQUIPMENT				
-/+ (Purchase) / sale of other INVESTMENTS				
<b>Net Cash Flow from Investments</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<i>Cash Flow from Financing</i>				
Subtract increase in PREPAID EXPENSES	(11,564)	(538,302)	(36,360)	(33,000)
Add increase in UNEARNED REVENUES	(242)	(630)	0	0
Add increase in CREDITS & LOANS	0	0	0	0
Subtract DIVIDENDS paid to the owner	(68,464)	0	(36,078)	(42,768)
<b>Net Cash Flow from Financing</b>	<b>(80,270)</b>	<b>(538,932)</b>	<b>(72,438)</b>	<b>(75,768)</b>
<b>Net Cash Flow for the Period</b>	<b>11,667</b>	<b>(255,440)</b>	<b>(66,149)</b>	<b>49,249</b>
<b>BEGINING Cash</b>	<b>452,929</b>	<b>464,597</b>	<b>209,156</b>	<b>143,007</b>
<b>ENDING Cash</b>	<b>464,597</b>	<b>209,156</b>	<b>143,007</b>	<b>192,256</b>

## Profit and Loss

	1993	1994	1995	1996		
	TOTAL 1993	TOTAL 1994	TOTAL 1995	TOTAL 1996	TOTAL 1997	TOTAL 1998
<b>FINANCIAL RESULTS</b>	2 01	1 34	1 00	0 87	0 36	0 33
1 Revenues from goods (merchandise) sold		9 620	8 191	131 575	69 883	205 378
2 Revenues from Core Activity		2 979 010	4 219 097	3 437 714	3 828 406	3 835 943
3 Turnover		2 988 630	4 227 288	3 589 289	3 898 289	4 041 320
4 or <5> Inventories evaluated						
6 Assets in Process evaluated			1 199	255	727	491
7 Total Production		2 979 010	4 220 296	3 437 969	3 829 132	3 836 434
8 Subventions for Core Activity		49 968				
9 Other Revenues		8 576	22 720	7 583	15 142	11 344
10 Rev. from Provisions for Core Activity						
<b>11 Total Revenues Core Activity</b>		<b>3 047 172</b>	<b>4 251 206</b>	<b>3 577 108</b>	<b>3 914 157</b>	<b>4 053 155</b>
12 Merchandise		9 160	8 160	125 053	66 807	195 221
13 Raw Materials		12 910				
14 Consumables		389 052	682 326	511 622	624 170	580 949
15 Energy and Water		82 241	98 981	80 458		
16 Other Materials		14 890	10 016	3 642		
17 Total Materials		509 093	791 323	595 722	693 522	645 499
18 Other Costs		165 759	326 560	396 940	361 750	531 578
19 Taxes		119 452	57 042	40 665	48 853	49 894
20 Personnel		1 515 489	2 117 351	1 720 912		
21 Labor Burden		449 243	727 894	598 663	773 223	733 412
22 Total Personnel		1 964 732	2 845 245	2 309 575	2 577 410	2 444 705
23 Other Operational Costs						
24 Depreciation for core activity		96 053	233 631	166 932	74 533	65 882
<b>25 Total Costs for Core Activity</b>		<b>2 864 249</b>	<b>4 281 960</b>	<b>3 636 886</b>	<b>3 822 675</b>	<b>3 932 779</b>
26 or <27> Profit or <Loss> Core Activity		182 923	(10 754)	(59 779)	91 482	120 376
<b>34 Total Financial Revenues</b>		<b>14 728</b>	<b>21 722</b>	<b>7 682</b>	<b>14 702</b>	<b>11 232</b>
38 Interest Expense		1 039	3 480	6 807		
40 Amortization / Provisions for Losses						
<b>41 Total Financial Costs</b>		<b>1 039</b>	<b>3 480</b>	<b>6 807</b>	<b>5 144</b>	<b>5 466</b>
42 or <43> Profit or <Loss> Financial Activity		13 689	18 242	875	9 559	5 767
44 or <45> Current Profit or <Loss>		196 613	7 488	(58 904)	101 041	126 143
46 Extraordinary Revenues		271 964	14 999	18 371	11 532	8 623
account 671 + 672 Extraordinary Costs		280 327	22 487	15 269		
a/c 687 Amortisation / Provisions for Ex. Losses						
<b>47 Extraordinary Costs Total</b>		<b>280 327</b>	<b>22 487</b>	<b>15 269</b>	<b>13 177</b>	<b>9 178</b>
48 or <49> Extraordinary Profit or <Loss>		(8 363)	(7 488)	3 103	(1 645)	(356)
52 or <53> Gross Profit or <Loss>		188 250		(55 801)	99 395	125 787
54 Income Tax		78 414			27 240	40 252
55 Prepaid Tax				4 567		
<b>56 or &lt;57&gt; Net Profit or &lt;Loss&gt;</b>		<b>109 836</b>	<b>1</b>	<b>(60 367)</b>	<b>72 156</b>	<b>85 535</b>

147

## Financial Ratios

ECOSAL Constanta	1994	1995	1996	1997	1998
<b><u>Vulnerability</u></b>					
<b>Subsidies cover of CF from Operations</b>					
Subsidies cover of Payroll	2 5%				
w/out labor burden	3 3%				
Net CF from Ops as % of Payroll		3 2%	12 3%	0 2%	5 1%
w/out labor burden			16 5%	0 3%	7 3%
Net CF from Ops as % of Consumables		13 5%	55 4%	1 0%	21 5%
<b><u>Profitability</u></b>					
* Operating Profit Margin	6 0%	-0 3%	-1 7%	2 3%	3 0%
* Gross Margin	6 2%		-1 6%	2 5%	3 1%
<b><u>Leverage</u></b>					
* debt to assets	7 1%	11 4%	31 2%	32 1%	35 3%
w/out A/C Rec	7 7%	13 2%	35 2%	39 2%	44 6%
* debt to revenues ( core activ)	11 1%	11 7%	30 8%	16 1%	16 5%
w/out subsidies	11 3%	11 7%	30 8%	16 1%	16 5%
* net CF % of TOTAL LIABILITIES		2 8%	neg CF	neg CF	9 5%
<b><u>Liquidity</u></b>					
* current ratio	242 0%	190 6%	123 6%	170 5%	185 8%
<b><u>Turns (days)</u></b>					
	360				
* collection period	40	50	41	33	35
* days sales in cash	54	21	21	13	17
* payable period	9	7	60	33	34
<b><u>Others</u></b>					
*energy & water % of total costs	2 9%	2 3%	2 2%	18 1%	16 4%
* sal % of total costs	52 9%	49 7%	47 3%	67 4%	62 2%
* subsidies % of total costs	1 7%				
* subsidies % of turnover	1 7%				

ECOSAL Constanta

RATIOS		1994	1995	1996	1997	1998
<b>Vulnerability</b>						
Subsidies cover of CF from Operations						
Subsidies cover of Payroll						
		2 5%				
	w/out labor burden	3 3%				
Net CF from Ops as % of Payroll						
			3 2%	12 3%	0 2%	5 1%
	w/out labor burden			16 5%	0 3%	7 3%
Net CF from Ops as % of Consumables						
			13 5%	55 4%	1 0%	21 5%
<b>Profitability</b>						
* Operating Profit Margin						
		9 2%	5 2%	3 1%	4 2%	4 6%
* Gross Margin						
		6 2%		-1 6%	2 5%	3 1%
<b>Leverage</b>						
* debt to assets						
		7 1%	11 4%	31 2%	32 1%	35 3%
	w/out A/C Rec	7 7%	13 2%	35 2%	39 2%	44 6%
* debt to revenues ( core activ)						
		11 1%	11 7%	30 8%	16 1%	16 5%
	w/out subsidies	11 3%	11 7%	30 8%	16 1%	16 5%
* net CF % of TOTAL LIABILITIES						
			2 8%	neg CF	neg CF	9 5%
<b>Liquidity</b>						
* current ratio						
		242 0%	190 6%	123 6%	170 5%	185 8%
<b>Turns (days)</b>						
		360				
* collection period						
		40	50	41	33	35
* days sales in cash						
		54	21	21	13	17
* payable period						
		9	7	60	33	34
<b>Others</b>						
*energy & water % of total costs						
		2 9%	2 3%	2 2%	18 1%	16 4%
* sal % of total costs						
		52 9%	49 7%	47 3%	67 4%	62 2%
* subsidies % of total costs						
		1 7%				
* subsidies % of turnover						
		1 7%				

1) A word of caution: The first year results are slightly greater because of too little data on 1993 results a different treatment of accounting in 1993

179

**Financial Profile  
of the  
Judet of Dambovita**

**For the period from  
1993 to 1996**

**March 1997**

**Prepared Under Contract  
with the  
United States Agency for International Development**

**By  
The Urban Institute  
2100 M Street  
Washington, D C**

**East European Regional Housing Sector Assistance Project  
Project 180-0034  
U S Agency for International Development, ENI/EEUD/UDH  
Contract No EPE-0034-C-00-5110-00, RFS No 804**

## Introduction

USAID and the EBRD have been cooperating with the Government of Romania in the early development of a work plan to assist in creating a Municipal Credit Facility (MCF) that would lend to general purpose local governments (*judets* and municipalities), as well as local service enterprises (*regii*) to finance investments in infrastructure. The initial phase of that work plan involves an assessment of the existing legal and policy framework as it affects the stability of intergovernmental transfers and the ability of local governments to manage their own finances and to borrow. It also includes an analysis of the current financial condition of general purpose local governments in four urban regions to assess the credit worthiness of municipalities and *judets*, as potential borrowers from the MCF.

This Financial Profile of the *Judet* of Dambovita was prepared as part of a broader analysis of the financial condition and financial management capacity of a municipality and a *judet* in each of four urban regions in Romania (Bihor, Constanța, Dâmbovița and Maramureș), as well as that of the corresponding *regii* that provide water, waste water, transport, solid waste and heating services in those regions. The analysis will contribute to an understanding of the issues that might constrain the participation of municipalities in the MCF.

The first part of the analysis looks at the financial condition of the *Judet* of Dambovita, based on the actual results for the period from 1993 to 1996. The final section of the analysis attempts to look at the future financial condition of Dambovita through the year 2001, although such projections should be considered as illustrative given the current state of flux of laws and regulations governing local government finances in Romania. The final part of the analysis looks at the financial condition of the *regii* that provide local infrastructure services in Dambovita.

## A FINANCIAL ANALYSIS

### Overall Results

The overall financial results of the *Judet* of Dambovita for the period from 1993 to 1996, as shown in Table 1, are positive. The *judet* had an overall surplus from 1993 to 1995 and a balanced budget in 1996.

However, these results by themselves reveal little else about the finances of the *Judet* of Dambovita. The following sections of this Financial Profile will attempt to provide greater insights into the financial condition of the *Judet*.

	1993	1994	1995	1996
Total Revenues	3,072,396	10,126,376	10,393,984	13,655,683
Total Expenditures	2,970,737	9,875,796	10,292,211	13,655,683
<b>Overall Surplus (Deficit)</b>	<b>101,659</b>	<b>250,580</b>	<b>101,773</b>	<b>0</b>

### Net Operating Results

This section of the analysis looks at net operating results. This is different than the overall surplus or deficit, shown above, which judets and municipalities currently calculate. That analysis looks at the difference between all revenues and all expenditures. Net operating results look only at the difference between non-investment (or operating) expenditures and non-capital (or operating) revenues.

The calculation uses the standard income and expense data reported by judets and municipalities in Annexes 12 and 14 of their quarterly and annual financial statements. These forms include all revenues and expenditures by line item for any given year, including budget and actual information. The calculation of the net operating results first requires identifying and classifying those expenditures related to the cost of administering the Judet or of providing local services. This includes as well any subsidies or transfers to other organizations, such as the *regii*, to pay for similar costs. These are the *operating expenditures* of the Judet. The second step is to isolate those revenues that are available on a continuing basis to pay for operating expenditures. These *operating revenues* include all local taxes and fees, shared national tax revenues and any operating subsidies provided by the state. They do not include non-fiscal revenues, such as the proceeds of loans or of the sale of assets, or those revenues provided by the state specifically to pay for investments. Appendix 1 explains the calculation of operating expenditures and revenues using the data available in Annexes 12 and 14 of the standard financial reports.

The net operating results of the Judet are determined by subtracting its total operating expenditures from its total operating revenues. This will produce

- A net operating surplus when recurring revenues are greater than operating expenditures
- A net operating deficit when operating expenditures are greater than recurring revenues

This is a significant result. Should the Judet want to enter into a loan or issue bonds, the operating surplus will be the amount available to pay the maturing principal and interest payments on the debt. It will largely determine the maximum amount the Judet *can* borrow. A Judet that has a current net operating deficit has no free operating revenues available for debt service. It should not consider entering into any new loans until it has taken steps to identify and address the causes of the problem.

The net operating results of the Judet of Dambovita for the period from 1993 to 1996 are very positive, with a surplus recorded in every year.

An analysis of the net operating results in constant 1995 lei, as shown in Table 2, below, reveals that the net operating surplus grew steadily until 1995. The surplus was smaller in 1996, probably as a result of the significant drop in real terms in operating revenues, as discussed in the next section of the analysis.



<b>Table 2</b>				
<b>Net Operating Results</b>				
Constant 1995 Lei - Thousands				
	1993	1994	1995	1996
Operating Revenues	4,239,466	5,792,722	6,620,134	5,497,696
Operating Expenditures	3,637,095	5,006,872	5,421,007	5,138,817
<b>Operating Surplus (Deficit)</b>	<b>602,371</b>	<b>785,850</b>	<b>1,199,127</b>	<b>358,879</b>

### Revenue Trends

This section of the analysis looks at how the revenues of the Judet of Dambovita have changed over the period from 1993 to 1996. As shown in Table 3, below, revenues decreased by almost 17 percent in real terms in 1996, after increasing steadily in the three years prior. The reduction occurred in all categories of revenues.

<b>Table 3</b>				
<b>Value of Revenues</b>				
Constant 1995 Lei - Thousands				
	1993	1994	1995	1996
Local Taxes & Fees	722,068	1,324,249	126,368	406,538
Shared National Taxes	2,883,085	4,160,849	6,212,784	4,926,178
State Operating Subsidies	654,763	307,625	280,982	164,980
<b>Total Operating Revenues</b>	<b>4,259,916</b>	<b>5,792,723</b>	<b>6,620,134</b>	<b>5,497,696</b>
Own Capital Revenues	19,209	2,711	10	10,097
State Capital Subsidies	2,109,327	7,146,076	3,773,840	3,195,638
<b>Total Capital Revenues</b>	<b>2,128,536</b>	<b>7,148,787</b>	<b>3,773,850</b>	<b>3,205,735</b>
<b>Total Revenues</b>	<b>6,388,452</b>	<b>12,941,510</b>	<b>10,393,984</b>	<b>8,703,431</b>

During the same period, as shown in Table 4, below, the composition of the operating revenues of the Judet of Dambovita, that is, those revenues that are most critical to an evaluation of the borrowing capacity of the Judet, has not changed significantly. Shared national tax revenues have been by the far the most important source of operating revenues in every year. This makes the Judet highly vulnerable to variations in national policies and priorities, as reflected in the annual state budget.

	1993	1994	1995	1996
Local Taxes & Fees	16 95%	22 86%	1 91%	7 39%
Shared National Taxes	67 68%	71 83%	93 85%	89 60%
State Operating Subsidies	15 37%	5 31%	4 24%	3 00%

**Expenditure Trends**

This section of the analysis looks at how the expenditures of the Judet of Dambovita have evolved over the period from 1993 to 1996. As shown in Table 5, below, the volume of expenditures in constant 1995 lei has grown modestly in all categories. The judet appears to have expenditures well under control.

Chapter	1993	1994	1995	1996
General Administration	1 00	1 55	1 71	1 59
Education	0 00	0 00	0 00	0 00
Health	0 00	0 00	0 00	0 45
Culture and Art	0 57	0 40	0 77	0 13
Social Assistance	0 07	0 00	0 00	0 12
Public Works and Housing	1 02	0 24	0 63	0 38
Transportation and Communication	5 07	8 39	8 53	7 80
Other Economic Activities	0 00	0 00	0 00	0 00
Other Activities	0 12	0 27	0 23	0 73

**Debt**

The Judet of Dambovita has not borrowed in any year.

The Judet is not currently contemplating any future loans.

**Projections**

Table 6A shows the future net operating results for the Judet of Dambovita as projected to the year 2001, based on current revenue and expenditure trends. That table shows that the Judet will have an ample and growing operating surplus throughout the period from 1997 to 2001.

Table 6B shows the future net operating results of the Judet of Dambovita to the year 2001, as projected based on certain policy assumptions provided by the Judet. Those assumptions are that local taxes and fees will grow by 1.5% per year starting in 1997. Based on this scenario, the Judet will have an even larger operating surplus in each year. Following current trends, the Judet would not receive any revenues from local taxes and fees starting in 1997. Assuming they grow by 1.5% per year, makes the projected operating revenues of the Judet larger than in the trends projection.

155

**Table 6A  
Projections**

<b>Dambovitza</b>									
<b>Actual and Projected Cash Flow</b>									
<b>Current Trends - Constant 1995 Lei</b>	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>
<b>Recurring Revenues Total</b>	4 244 968	5 782 476	6 575 135	5 414 175	6 601 169	7 409 149	8 227 271	9 045 392	9 863 514
Of which									
<i>Local Taxes and Fees</i>	707 120	1 314 003	81 369	323 017	10 142	0	0	0	0
<i>Shared National Tax Revenues</i>	2 883 085	4 160 849	6 212 784	4 926 178	6 591 028	7 409 149	8 227 271	9 045 392	9 863 514
<i>State Operating Subsidies</i>	654 763	307 625	280 982	164 980	0	0	0	0	0
<b>Operating Expenditures Total</b>	3 637 095	5 006 872	5 421 007	5 138 817	6 030 773	6 522 703	7 080 010	7 676 976	8 286 471
Of which									
<i>General Administration</i>	461 724	714 746	779 434	728 509	887 363	973 867	1 060 372	1 146 876	1 233 380
<i>Education</i>	0	0	0	0	0	0	0	0	0
<i>Health</i>	0	0	0	208 413	208 413	270 937	333 461	395 985	458 509
<i>Culture &amp; Sports</i>	264 485	185 967	351 287	59 222	102 623	57 576	12 529	0	0
<i>Social Assistance</i>	33 549	0	0	56 999	40 225	47 260	54 295	61 331	68 366
<i>Public Works &amp; Housing</i>	472 609	111 985	286 515	172 706	79 659	7 141	0	0	0
<i>Transportation &amp; Communication</i>	2 348 834	3 869 643	3 898 000	3 577 055	4 351 638	4 722 940	5 094 242	5 465 544	5 836 846
<i>Other Economic Activities</i>	0	0	0	0	0	0	0	0	0
<i>Other Activities</i>	55 893	124 531	105 771	335 913	360 852	442 981	525 111	607 241	689 371
<i>Interest Payments</i>	0	0	0	0	0	0	0	0	0
	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>
<b>Recurring Surplus (Deficit)</b>	607 873	775 604	1 154 128	275 358	570 396	886 446	1 147 260	1 368 416	1 577 042
<b>Non recurring Operating Revenues Total</b>	14 948	10 246	44 999	83 521	98 546	122 593	146 640	170 687	194 735
Of which									
<i>Non recurring Local Operating Revenues</i>	14 948	10 246	44 999	83 521	98 546	122 593	146 640	170 687	194 735
<b>Net Operating Surplus (Deficit)</b>	622 821	785 850	1 199 127	358 879	668 942	1 009 039	1 293 900	1 539 103	1 771 777

156

**Table 6B  
Policy Scenario  
Constant 1995 Lei - Thousands**

<b>Actual and Projected Cash Flow</b>										
<b>Policy Scenario - Constant 1995 Lei</b>	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	
<b>Recurring Revenues Total</b>	4 244 968	5 782 476	6 575 135	5 414 175	6 918 890	7 741 929	8 565 043	9 388 231	10 211 495	
Of which										
<i>Local Taxes and Fees</i>	707 120	1 314 003	81 369	323,017	327 862	332 780	337 772	342 839	347 981	
<i>Shared National Tax Revenues</i>	2 883 085	4 160 849	6 212 784	4 926,178	6 591 028	7 409 149	8 227 271	9 045 392	9 863 514	
<i>State Operating Subsidies</i>	654 763	307 625	280 982	164,980	0	0	0	0	0	
<b>Operating Expenditures Total</b>	3 637 095	5 006 872	5 421 007	5 138 817	6 030 773	6 522 703	7 080 010	7 676 976	8 286 471	
Of which										
<i>General Administration</i>	461,724	714 746	779 434	728 509	887 363	973 867	1 060 372	1 146 876	1 233 380	
<i>Education</i>	0	0	0	0	0	0	0	0	0	
<i>Health</i>	0	0	0	208 413	208 413	270 937	333 461	395 985	458 509	
<i>Culture &amp; Sports</i>	264 485	185 967	351 287	59 222	102 623	57 576	12 529	0	0	
<i>Social Assistance</i>	33 549	0	0	56 999	40 225	47 260	54 295	61 331	68 366	
<i>Public Works &amp; Housing</i>	472 609	111 985	286 515	172 706	79 659	7 141	0	0	0	
<i>Transportation &amp; Communication</i>	2 348 834	3 869 643	3 898 000	3 577 055	4 351 638	4 722 940	5 094 242	5 465 544	5 836 846	
<i>Other Economic Activities</i>	0	0	0	0	0	0	0	0	0	
<i>Other Activities</i>	55 893	124 531	105 771	335 913	360 852	442,981	525 111	607 241	689 371	
<i>Interest Payments</i>	0	0	0	0						
	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	
<b>Recurring Surplus (Deficit)</b>	607 873	775 604	1 154 128	275 358	888 117	1 219 226	1 485 032	1 711 255	1 925 024	

15/11

## B PROVISION OF INFRASTRUCTURE SERVICES

### Organizations Responsible for Local Services

For the Judet of Dambovita infrastructure services are provided by the regie autonome for roads and bridges "RADP Dambovita". The analysis covers the operations of this regie in 1995 and 1996.

### Net Profit (Loss)

The net income from operations of RADP Dambovita, as shown in Table 7, below, increased from 397 million lei in 1994 to 427 million lei in 1996. Coupled with a positive gross profit margin, this makes the company a good candidate for external financing. The gross profit margin may actually be higher in the future because most of the fixed assets are old and fully depreciated, which should lower the overhead.

	1994	1995	1996 (E)	1997 (P)
Operating Revenues	1,511,091	10 490,815	9 343,928	9,917,372
Operating Costs	1,514,581	10,093,689	8,916,462	9 129 538
Operating Profit (Loss)	(3,490)	397,126	427,466	787,834
Operating Profit (Loss) Margin	(0.2)%	3.8%	4.6%	7.9%
Other Revenues	3 489	31 493	38 411	34 905
Other Costs	0	105,396	102,485	94,416
Gross Profit (Loss)	(1)	323,223	363,392	728,323
Profit/Payroll Taxes Paid	0	122,825	193 885	233 064
<b>Net Profit (Loss)</b>	<b>(1)</b>	<b>200,398</b>	<b>169,507</b>	<b>495,259</b>

### Net Cash Flow Analysis

The Profit and Loss Statement and the Balance Sheet of a local regie or commercial company that provides essential infrastructure services to a community present valuable information both to the managers and to the Local Councils and other interested parties such as investors and creditors. Yet, it is important to look beyond the results reported in the Profit and Loss Statement and Balance Sheet at other results that can be calculated using the information available in those statements.

Under the present conditions in the Romanian economy, it is not unusual to find commercial companies, including many local regii, with high levels of both accounts receivable and accounts payable. A growing inability to collect payments owed by clients for services provided, reflected in the increase in accounts receivable, poses a potential threat to the liquidity of many companies, including some of the regii. By and large, companies have tried to offset the loss of cash implicit in the increase in accounts receivable by a corresponding increase in accounts payable. The situation often is described as one of "financial blockage" - no-one pays anyone.

else This involves serious risks It is not sustainable over time What might happen, for example, if a large creditor (such as RENEL) demands payment of accumulated bills? In the absence of a compensating reduction in receivables (an increase in the collection from its debtors), the commercial company or regie would face a serious cash problem that might impair its ability to continue to operate normally

The existing situation of "financial blockage" distorts the picture of the financial condition of a company or regie, as shown in its financial statements Assets, as shown by accounts receivable in the balance sheet, may not be what they seem It is likely that in the future not all receivables will be recovered Consequently, companies should be making provisions for losses from bad debts Conversely, liabilities, as shown by accounts payable, may also be inaccurate As companies begin to face the obligation to repay accumulated arrears, there is a potential for late payment fees or penalties Therefore, companies (including regii) which have a high volume of accounts payable should start introducing provisions for losses on penalties and litigation

The most immediate problem, however, is whether the company is generating sufficient cash to ensure its continued operations In answering this question, it is necessary to look beyond the operating results as reported in the Profit and Loss Statement to the Net Cash Flow of the company By projecting, for the near future, the level of cash that flows through the company, the management can predict the company's cash position at every instant in time, assess liquidity risks, and prevent unpleasant moments of illiquidity In the case of the regie, liquidity is also a concern for the Judet which has an obligation to provide a reasonable level of infrastructure services to the local community Barring any force majeure and using good sense in estimating the risks, the trend in the ending cash position can show well in advance when a liquidity problem might arise

#### *How We Arrive at Net Cash Flow*

The purpose of the Net Cash Flow analysis is to identify the sources and uses of cash during the accounting period To do this, the analysis divides the operations of a company or regie into three main activity groups that cause assets to change operations, investments and financing Beginning with net income calculated on an accrual basis the analysis makes a series of adjustments intended to transform net income into cash flow The adjustments are of three types

- Expenses not involving cash outflows are added back, e.g. depreciation, deferred taxes, increase in accounts payable and in accrued interest payable,
- Cash outflows not treated as expenses are subtracted, e.g. increase in inventory, dividends,
- Revenues not involving cash inflows are subtracted as well, e.g. increase in accounts receivable and in accrued interest earned, and gain on sale of property<sup>1</sup>

The first activity covered in the analysis are the income and expenses related to the *operations* of the company or regie Most expenses involve a corresponding outflow of cash Depreciation,

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<sup>1</sup> Whatever cash is generated by the sale of property will appear on the cash flow statement as proceeds from the sale of property under the heading "*cash flow from investments*" The gain (or loss) on the sale is the difference between the property's selling price and its balance sheet value when sold Because this gain is already part of the line -/+ (purchase)/sale of property plant or equipment showing it also as part of operating activities would amount to double-counting

amortization and provisions, however, although deducted as expenses do not require the use of cash. Since they are a non-cash reduction in net income, they are added back to adjust the cash flow from operations. The same is true for the increase in accounts payable (the difference is deducted from net income but not yet paid) and the decrease in accounts receivable (similarly, this is an increase in sales for which the regie has not been paid). In addition, the increase in inventory is deducted to reflect the cash used to produce the additional inventory. This part of the analysis looks at the trends in accounts payable and accounts receivable, as well as net cash generated from operations.

The final two parts of the analysis then look at the impact on net cash flow of *investment and financing activities*. The first involves changes in a firm's long-term investments in property, plant and equipment. These activities are not reflected in the Profit and Loss Statement but represent a use (or a source of) cash.<sup>2</sup> *Financing activities* include cash raised from debt (inflows) and cash outflows for the dividends paid.<sup>3</sup>

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<sup>2</sup> Because of little information on the changes in property, plant and equipment, we assumed that all changes come from revaluation of the assets. This is a change that does not affect either the cash flow or net income.

<sup>3</sup> In the particular case of Romania and the regii, we have also observed the use of unearned revenues as a way to bridge-finance the shortfall of cash at the end of the year. Similarly, this is sometimes compensated by an increase in prepaid expenses. Both are a masked form of short-term financing.



**Table 8**  
**Cash Flow Analysis**  
**Constant 1996 Lei - Thousands**

RADP Dambovita	1994	1995	1996	1997
Net Income				
<i>Cash Flow from Operations</i>	0	200,399	169,509	495,260
<b>Adjust Net Income to net cash provided by operating activities</b>				
Add back DEPRECIATION, AMORTIZATION, PROVISIONS	25,833	720,739	560,405	225,953
<b>Adjust for change in assets and liabilities</b>				
Add back increase in A/P and any other payable (including accrued liabilities and penalties)	516,960	442,721	1,211,737	440,592
Subtract increase in A/R and any other accrued receivable	(259,409)	(504,721)	(668,685)	(485,342)
Subtract increase in any of the INVENTORY	(256,200)	(137,336)	(181,885)	(108,000)
<b>Net Cash Flow from Operations</b>	<b>27,183</b>	<b>721,801</b>	<b>1,091,081</b>	<b>568,463</b>
<i>Cash Flow from Investments</i>				
-/+ (Purchase) / sales of PROPERTY, PLANT AND EQUIPMENT				
-/+ (Purchase) / sale of other INVESTMENTS				
<b>Net Cash Flow from Investments</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<i>Cash Flow from Financing</i>				
Subtract increase in PREPAID EXPENSES	(2,924)	(4,962)	4,786	0
Add increase in UNEARNED REVENUES	0	0	0	0
Add increase in CREDITS & LOANS	0	0	0	0
Subtract DIVIDENDS paid to the owner	0	100,199	84,754	247,630
<b>Net Cash Flow from Financing</b>	<b>(2,924)</b>	<b>95,237</b>	<b>89,541</b>	<b>247,630</b>
<b>Net Cash Flow for the Period</b>	<b>24,259</b>	<b>817,039</b>	<b>1,180,622</b>	<b>816,093</b>
<b>BEGINNING Cash</b>	<b>301,500</b>	<b>325,759</b>	<b>1,142,798</b>	<b>2,323,420</b>
<b>ENDING Cash</b>	<b>325,759</b>	<b>1,142,798</b>	<b>2,323,420</b>	<b>3,139,512</b>

191

**Net Cash Flow Actual to Date***Trends in Accounts Receivable*

The accounts receivable of RAJDP have been increasing by about 500 million lei per year

*Trends in Accounts Payable*

Because of the increase in receivables, the working capital of RAJDP has been financed through a corresponding increase in accounts payable. Actually, payables increased by 1.2 billion lei in 1996. This is not a positive sign.

*Net Cash Flow*

The combined effect of the operating and net profits recorded in 1995 and 1996, and the large increase in accounts payable in 1996, are reflected in a large and growing net cash flow for both years. The overall liquidity of RAJDP is good, with a current ratio of over 200 percent. The debt to assets ratio also is sound at 10 to 15 percent. This positive picture should improve, as RAJDP receives its share of the increase in the surcharge on gasoline, which jumped from 5 to 25 percent.

RAJDP is highly sensitive to any increase in the cost of raw materials or labor which represent 40 and 25 percent of total operating costs, respectively. These are not considered to be significant threats in the short term. The only concern is that RAJDP has not used its cash to pay down its accumulated arrears to suppliers.

**Impact on Finances of the Judet**

Table 9, below, shows the flow of funds between the Judet and the RADP Dambovita. As indicated by the figures in the table, the regie has been a net contributor to the budget of the Judet, based on the distribution of its profits and on the share of taxes paid that accrue to the Judet.

	<b>1994</b>	<b>1995</b>	<b>1996</b>
From Judet to RADP Dambovita	1,077,779	0	0
State Subsidies	1,077,779	0	0
Other	0	0	0
From RADP Dambovita to Judet	224,352	1,681,982	935,647
Income and Sales Tax Revenues	224,352	1,577,727	850,893
Distribution of Profits	0	104,255	84,754
<b>Net To (From) Judet</b>	<b>(853,427)</b>	<b>1,681,982</b>	<b>935,647</b>
Net as Percent of Revenues (Expenditures)	(8.6)%	16.3%	6.9%

162

## APPENDIX I - DEFINITIONS

<b>1996 Code</b>	<b>Category/Sub Category</b>
	<b>Recurring Revenues</b>
	of which
	Local Taxes and Fees
	Shared National Salary Tax Revenues
	State Operating Subsidies
	<b>Local Taxes and Fees</b>
	of which
01 02	Taxes on Profits of Regi
03 02	Taxes and Fees on Individuals
04 02	Fees for Use of State Property
05 02	Corporate Property Tax
06 02	Corporate Vehicle Fees
07 02	Tax on Revenues from Agriculture
08 02	Other Direct Taxes
17 02	Other Indirect Taxes
	<b>Shared National Tax Revenues</b>
	of which
34 02	Shared National Salary Tax Revenues
	<b>State Operating Subsidies</b>
	of which
37 02 01	Subsidies for Social Assistance, Heating & Public Transport
	<b>Non-Recurring Revenues</b>
	of which
	Non-Recurring Local Operating Revenues
	Local Capital Revenues
	Other Capital Revenues
	<b>Non-Recurring Local Operating Revenues</b>
	of which
15 02	Entertainment Fees
20 02	Distribution from Profits of Regi
21 02	Revenues from Public Institutions
22 02	Other Various Revenues
40 02	Donations
	<b>Local Capital Revenues</b>
	of which
30 02	Proceeds from the Sale of Public Property & Housing
45 02	Proceeds of Short-term Loans
	<b>Other Capital Revenues</b>
	of which
37 02 02	State Capital Investment Subsidies
37 02 03	Capital Investment Subsidies from External Loans
46 02	Proceeds of Loans from Revolving Funds

**Appendix II**

**Detailed Financial Information on the  
Judet of Dambovită**

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**Standard Data Set**

<b>Dimbovita</b>				
<b>Line Revenues - Actual at Year End</b>	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>
<b>0 Total Revenues</b>	3 072 396	10 126 376	10 393 984	13 655 683
Change in Total Revenues (current year/previous year)		3 30	1 03	1 31
<b>1 Local Taxes and Fees Recurring</b>	340 075	1 028 171	81,369	506 814
<b>2 Non Recurring Local Operating Revenues</b>	7 189	8 017	44 999	131 044
<b>3 Local Capital Revenues</b>	9 238	2 121	10	15 842
<b>4 Of which Proceeds from the sale of public property</b>	9 238	2 121	10	0
<b>5 Shared National Tax Revenues</b>	1 386 561	3 255 750	6 212 784	7 729 173
<b>6 State Operating Subsidies</b>	314 895	240 708	280 982	258 854
<b>7 Other Capital Revenues</b>	1 014 438	5 591 609	3 773 840	5 013 956
<b>8 Total Recurring Revenues (Line 1+5+6)</b>	2 041 531	4 524 629	6 575 135	8 494 841
Change in Recurring Revenues (current year/previous year)		2 22	1 45	1 29
<b>9 Total Non Recurring Revenues (Line 2+3+7)</b>	1 030 865	5 601 747	3 818 849	5 160 842
<b>10 Verify Line 0 = Sum (Line 8+9)</b>	3 072 396 OK	10 126 376 OK	10 393 984 OK	0 OK
 <b>Revenues - Initial Approved Budget</b>				
<b>11 Total Revenue Budget</b>	1 762 659	10 536 911	10 020 684	12 334 981
<b>12 Local Revenues and Fees</b>	273 846	784 760	75 000	372 750
<b>13 Shared National Tax Revenues</b>	721 813	2 926 350	6 154 684	7 118 773
<b>14 State Operating Subsidies</b>	431 270	772 000	200 000	306 000
<b>15 Recurring Revenue Budget (Line 12+13+14)</b>	1 426 929	4 483 110	6 429 684	7 797 523

Standard Data Set

<b>Dimbovita</b>				
<b>Expenditures - Actual at Year End</b>				
	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>
16 Administrative Expenses General Administration	222 057	559 269	766 434	1 143 030
17 Subsidies and Transfers General Administration	0	0	13 000	0
18 Capital Expenditures General Administration	75 808	208 022	289 271	321 722
19 Administrative Expenses Education	0	0	0	0
20 Subsidies and Transfers Education	0	0	0	0
21 Capital Expenditures Education	0	0	0	0
22 Administrative Expenses Health	0	0	0	327 000
23 Subsidies and Transfers Health	0	0	0	0
24 Capital Expenditures Health	0	0	0	0
25 Administrative Expenses Culture & Sports	67 809	145 514	351 287	0
26 Subsidies and Transfers Culture & Sports	59 390	0	0	92 919
27 Capital Expenditures Culture & Sports	27 931	0	41 332	0
28 Administrative Expenses Social Assistance	16 135	0	0	89 432
29 Subsidies and Transfers Social Assistance	0	0	0	0
30 Capital Expenditures Social Assistance	1 281	0	0	5 000
31 Administrative Expenses Public Works & Housing	0	3 326	5 533	12 122
32 Subsidies and Transfers Public Works & Housing	227 292	84 299	280 982	258 854
33 Capital Expenditures Public Works & Housing	509 300	2 221 749	1 967 452	2 740 823
34 Administrative Expenses Transportation & Communication	1 042 021	1 979 832	0	0
35 Subsidies and Transfers Transportation & Communication	87 603	1 048 058	3 898 000	5 612 400
36 Capital Expenditures Transportation & Communication	607 230	3 513 965	2 494 907	2 431 343
37 Administrative Expenses Other Economic Activities	0	0	0	0
38 Subsidies and Transfers Other Economic Activities	0	0	0	0
39 Capital Expenditures Other Economic Activities	0	0	0	0
40 Administrative Expenses Other Activities	26 881	97 442	105 771	527 047
41 Subsidies and Transfers Other Activities	0	0	0	0
42 Capital Expenditures Other Activities	0	14 320	78 242	93 991
<b>Operating Expenditures by Chapter</b>				
43 General Administration Oper Exp (Line 16+17)	222 057	559 269	779 434	1 143 030
44 Education Oper Exp (Line 19+20)	0	0	0	0
45 Health Oper Exp (Line 22+23)	0	0	0	327 000
46 Culture & Sports Oper Exp (Line 25+26)	127 199	145 514	351 287	92 919
47 Social Assistance Oper Exp (Line 28+29)	16 135	0	0	89 432
48 Public Works & Housing Oper Exp (Line 31+32)	227 292	87 625	286 515	270 976
49 Transportation & Communication Oper Exp (Line 34+35)	1 129 624	3 027 890	3 898 000	5 612 400
50 Other Economic Activities Oper Exp (Line 37+38)	0	0	0	0
51 Other Activities Oper Exp (Line 40+41)	26 881	97 442	105 771	527 047

166

**Standard Data Set**

**Dimbovita**

<b>Expenditures - Actual at Year End</b>	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>
<b>52 Total Operating Expenditures (Line 53+54+55)</b>	1 749 187	3 917 740	5 421 007	8 062 804
Of which      Change in Operating Expenditures (current year/previous year)		2 24	1 38	1 49
<b>53 Total Administrative Expenses (Line 16+19+22+25+28+31+34+37+40)</b>	1 374 902	2 785 383	1 229 025	2 098 631
<b>54 Total Subsidies &amp; Transfers (Line 17+20+23+26+29+32+35+38+41)</b>	374 285	1 132 357	4 191 982	5 964 173
<b>55 Interest Payments</b>	0	0	0	0
<b>56 Total Capital Expenditures (Line 18+21+24+27+30+33+36+39+42)</b>	1 221 550	5 958 056	4 871 204	5 592 879
<b>57 Other Payments (Line 58+59+60)</b>	0	0	101 773	0
Of which				
<b>58 Principal Repayments</b>	0	0	0	0
<b>59 Set Aside for Reserves</b>	0	0	0	0
<b>60 Distribution of Surplus</b>	0	0	101 773	0
<b>61 Total Annual Debt Service (Principal+Interest Payments)</b>	0	0	0	0
<b>62 Total Expenditures</b>	2 970 737	9 875 796	10 292 211	13 655 683
	2 970 737	9 875 796	10 393 984	0
<b>63 Verify Line 62 = Sum (Line 52+56+57)</b>	OK	OK	Error	OK
<b>Expenditures - Initial Approved Budget</b>	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>
<b>64 Operating Expenditure Budget</b>	1 353 629	4 149 006	5 221 700	7 377 100
<b>65 Capital Expenditure Budget</b>	409 030	6 387 905	4 698 984	4 919 858
<b>Other Non-Financial Data</b>				
<b>66 Total Local Government Employees (Municipal or Judet)</b>	0	0	0	0
<b>67 Total Population (Municipality or Judet)</b>	462 833	461 197	457 048	458 493
<b>68 Year to Year Inflation</b>	296 0%	62 7%	27 8%	56 9%
<b>69 Deflator (Base Year = 1995)</b>	2 08	1 28	1 00	0 64

127

## Indicators

<b>Dimbovita</b>					
<b>Financial Performance Indicators</b>		<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>
<i>Key Revenue Indicators</i>					
<b>1</b>	<i>Recurring Revenues/Total Revenues</i>	0 66	0 45	0 63	0 62
<b>2</b>	<i>Shared National Tax Revenues/Recurring Revenues</i>	0 68	0 72	0 94	0 91
<b>3</b>	<i>State Operating Subsidies/Recurring Revenues</i>	0 15	0 05	0 04	0 03
<b>4</b>	<i>Local Taxes &amp; Fees/Recurring Revenues</i>	0 17	0 23	0 01	0 06
<b>5</b>	<i>Proceeds from Asset Sales/Total Revenues</i>	0 00	0 00	0 00	0 00
<i>Key Expenditure Indicators</i>					
<b>6</b>	<i>Total Expenditures Per Capita (1000 lei)</i>	6 42	21 41	22 52	29 78
<b>7</b>	<i>Operating Expenditures Per Capita (1000 lei)</i>	3 78	8 49	11 86	17 59
<b>8</b>	<i>Operating Expenditures/Total Expenditures</i>	0 59	0 40	0 53	0 59
<b>9</b>	<i>Capital Expenditures/Total Expenditures</i>	0 41	0 60	0 47	0 41
<i>Key Indicators of Net Results</i>					
<b>10</b>	<i>Total Expenditures/Total Revenues</i>	0 97	0 98	0 99	1 00
<b>11</b>	<i>Operating Expenditures/Recurring Revenues</i>	0 86	0 87	0 82	0 95
<b>12</b>	<i>Recurring Surplus/Shared National Tax Revenues</i>	0 21	0 19	0 19	0 06
<b>13</b>	<i>Recurring Surplus/Local Taxes &amp; Fees</i>	0 86	0 59	14 18	0 85
<i>Key Actual to Budget Performance Indicators</i>					
<b>14</b>	<i>Actual Revenue/Initial Revenue Budget</i>	1 74	0 96	1 04	1 11
<b>15</b>	<i>Actual Recurring Revenues/Initial Recurring Revenue Budget</i>	1 43	1 01	1 02	1 09
<b>16</b>	<i>Actual Local Taxes and Fees/Local Taxes and Fees Budget</i>	1 24	1 31	1 08	1 36
<b>17</b>	<i>Actual Shared National Tax Revenues/National Tax Budget</i>	1 92	1 11	1 01	1 09
<b>18</b>	<i>Actual Expenditures/Initial Expenditure Budget</i>	1 69	0 94	1 04	1 11
<b>19</b>	<i>Actual Operating Expenditures/Initial Operating Expenditure Budget</i>	1 29	0 94	1 04	1 09
<b>20</b>	<i>Actual Capital Expenditure/Initial Capital Expenditure Budget</i>	2 99	0 93	1 04	1 14

1997



## Indicators

### Dimbovita

<i>Key Relative Performance Indicators</i>		<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>
<b>21</b>	<i>Change in Recurring Revenues /Change in Total Revenues</i>	n/a	0 67	1 42	0 98
<b>22</b>	<i>Change in Operating Expenditures/Change in Recurring Revenues</i>	n/a	1 01	0 95	1 15
<i>Key Debt Service Indicators</i>					
<b>23</b>	<i>Total Annual Debt Service/Recurring Revenues</i>	0 00	0 00	0 00	0 00
<b>24</b>	<i>Interest Payments/Recurring Revenues</i>	0 00	0 00	0 00	0 00
<b>25</b>	<i>Total Annual Debt Service/Recurring Surplus before Interest Payments</i>	0 00	0 00	0 00	0 00
<b>26</b>	<i>Max Future Debt Service/Recurring Surplus before Interest Payments</i>	19 13	8 29	4 36	0 00
<i>Operating Expenditure Indicators by Chapter (1000 lei)</i>					
<b>27</b>	<i>General Administration Expenditures/Per Capita</i>	0 48	1 21	1 71	2 49
<b>28</b>	<i>Education Expenditures/Per Capita</i>	0 00	0 00	0 00	0 00
<b>29</b>	<i>Health Expenditures/Per Capita</i>	0 00	0 00	0 00	0 71
<b>30</b>	<i>Culture &amp; Sports Expenditures/Per Capita</i>	0 27	0 32	0 77	0 20
<b>31</b>	<i>Social Assistance Expenditures/Per Capita</i>	0 03	0 00	0 00	0 20
<b>32</b>	<i>Public Works &amp; Housing Expenditures/Per Capita</i>	0 49	0 19	0 63	0 59
<b>33</b>	<i>Transportation Expenditures/Per Capita</i>	2 44	6 57	8 53	12 24
<b>34</b>	<i>Other Economic Expenditures/Per Capita</i>	0 00	0 00	0 00	0 00
<b>35</b>	<i>Other Expenditures/Per Capita</i>	0 06	0 21	0 23	1 15
<i>Operating Expenditure Indicators by Chapter (Constant 1995 1000 Lei)</i>		<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>
<b>36</b>	<i>General Administration Expenditures/Per Capita</i>	1 00	1 55	1 71	1 59
<b>37</b>	<i>Education Expenditures/Per Capita</i>	0 00	0 00	0 00	0 00
<b>38</b>	<i>Health Expenditures/Per Capita</i>	0 00	0 00	0 00	0 45
<b>39</b>	<i>Culture &amp; Sports Expenditures/Per Capita</i>	0 57	0 40	0 77	0 13
<b>40</b>	<i>Social Assistance Expenditures/Per Capita</i>	0 07	0 00	0 00	0 12
<b>41</b>	<i>Public Works &amp; Housing Expenditures/Per Capita</i>	1 02	0 24	0 63	0 38
<b>42</b>	<i>Transportation Expenditures/Per Capita</i>	5 07	8 39	8 53	7 80
<b>43</b>	<i>Other Economic Expenditures/Per Capita</i>	0 00	0 00	0 00	0 00
<b>44</b>	<i>Other Expenditures/Per Capita</i>	0 12	0 27	0 23	0 73

1999

## Indicators

### Dimbovita

<b>Actual Net Operating Results</b>	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>
<b>Recurring Revenues Total</b>	2,041,531	4,524,629	6,575,135	8,494,841
Of which				
<i>Local Taxes and Fees</i>	340,075	1,028,171	81,369	506,814
<i>Shared National Tax Revenues</i>	1,386,561	3,255,750	6,212,784	7,729,173
- <i>State Operating Subsidies</i>	314,895	240,708	280,982	258,854
<b>Operating Expenditures Total</b>	1,749,187	3,917,740	5,421,007	8,062,804
Of which				
- <i>General Administration</i>	222,057	559,269	779,434	1,143,030
- <i>Education</i>	0	0	0	0
- <i>Health</i>	0	0	0	327,000
<i>Culture &amp; Sports</i>	127,199	145,514	351,287	92,919
<i>Social Assistance</i>	16,135	0	0	89,432
<i>Public Works &amp; Housing</i>	227,292	87,625	286,515	270,976
<i>Transportation &amp; Communication</i>	1,129,624	3,027,890	3,898,000	5,612,400
<i>Other Economic Activities</i>	0	0	0	0
<i>Other Activities</i>	26,881	97,442	105,771	527,047
<i>Interest Payments</i>	0	0	0	0
<b>Recurring Surplus (Deficit)</b>	292,344	606,889	1,154,128	432,037
<b>Non-recurring Operating Revenues Total</b>	7,189	8,017	44,999	131,044
Of which				
<i>Non-recurring Local Operating Revenues</i>	7,189	8,017	44,999	131,044
<b>Net Operating Surplus (Deficit)</b>	299,533	614,906	1,199,127	563,081

## Indicators

### Dimbovita

	1993	1994	1995	1996
<b>Capital Revenues Total</b>	1,023,676	5,593,730	3,773,850	5,029,798
Of which				
- Local Capital Revenues	9,238	2,121	10	15,842
- State Capital Subsidies	1,014,438	5,591,609	3,773,840	5,013,956
<b>Total Funds Available for Investments</b>	1,323,209	6 208,636	4,972,977	5,592,879
<b>Capital Expenditures Total by Chapter</b>	1,221,550	5,958,056	4,871,204	5,592 879
- <i>General Administration</i>	75,808	208,022	289,271	321,722
<i>Education</i>	0	0	0	0
<i>Health</i>	0	0	0	0
- <i>Culture &amp; Sports</i>	27,931	0	41,332	0
- <i>Social Assistance</i>	1,281	0	0	5,000
- <i>Public Works &amp; Housing</i>	509,300	2,221,749	1,967,452	2,740,823
<i>Transportation &amp; Communication</i>	607,230	3,513,965	2 494,907	2 431,343
<i>Other Economic Activities</i>	0	0	0	0
<i>Other Activites</i>	0	14,320	78,242	93 991
<b>Overall Surplus (Deficit)</b>	101,659	250,580	101,773	0
<b>Minus Other Payments Total</b>	0	0	101,773	0
Of which				
<i>Principal Repayments</i>	0	0	0	0
<i>Set Aside for Reserves</i>	0	0	0	0
<i>Distribution of Surplus</i>	0	0	101,773	0
<b>Verify Overall Surplus (Deficit) minus Other Payments = 0</b>	Error	Error	OK	OK

171

## Indicators

### Dimbovita

#### Actual Net Operating Results - Constant 1995 lei

	1993	1994	1995	1996
<b>Recurring Revenues Total</b>	4,244,968	5,782,476	6,575,135	5,414,175
Of which				
<i>Local Taxes and Fees</i>	707,120	1,314,003	81,369	323,017
<i>Shared National Tax Revenues</i>	2,883,085	4,160,849	6,212,784	4,926,178
<i>State Operating Subsidies</i>	654,763	307,625	280,982	164,980
 <b>Operating Expenditures Total</b>	 3,637,095	 5,006,872	 5,421,007	 5,138,817
Of which				
<i>General Administration</i>	461,724	714,746	779,434	728,509
- <i>Education</i>	0	0	0	0
- <i>Health</i>	0	0	0	208,413
<i>Culture &amp; Sports</i>	264,485	185,967	351,287	59,222
<i>Social Assistance</i>	33,549	0	0	56,999
<i>Public Works &amp; Housing</i>	472,609	111,985	286,515	172,706
<i>Transportation &amp; Communication</i>	2,348,834	3,869,643	3,898,000	3,577,055
<i>Other Economic Activities</i>	0	0	0	0
<i>Other Activities</i>	55,893	124,531	105,771	335,913
 <i>Interest Payments</i>	 0	 0	 0	 0
 <b>Recurring Surplus (Deficit)</b>	 607,873	 775,604	 1,154,128	 275,358
 <b>Non recurring Operating Revenues Total</b>	 14,948	 10,246	 44,999	 83,521
Of which				
<i>Non recurring Local Operating Revenues</i>	14,948	10,246	44,999	83,521
 <b>Net Operating Surplus (Deficit)</b>	 622,821	 785,850	 1,199,127	 358,879

## Indicators

### Dimbovita

	1993	1994	1995	1996
<b>Capital Revenues Total</b>	2,128,536	7,148,787	3,773,850	3,205,735
Of which				
Local Capital Revenues	19,209	2,711	10	10,097
- State Capital Subsidies	2,109,327	7,146,076	3,773,840	3,195,638
<b>Total Funds Available for Investments</b>	2,751,357	7,934,637	4,972,977	3,564,614
<b>Capital Expenditures Total by Chapter</b>	2,539,976	7,614,396	4,871,204	3,564,614
<i>General Administration</i>	157,628	265,852	289,271	205,049
<i>Education</i>	0	0	0	0
<i>Health</i>	0	0	0	0
<i>Culture &amp; Sports</i>	58,077	0	41,332	0
<i>Social Assistance</i>	2,664	0	0	3,187
<i>Public Works &amp; Housing</i>	1,058,991	2,839,395	1,967,452	1,746,860
<i>Transportation &amp; Communication</i>	1,262,617	4,490,847	2,494,907	1,549,613
<i>Other Economic Activities</i>	0	0	0	0
<i>Other Activities</i>	0	18,301	78,242	59,905
<b>Overall Surplus (Deficit)</b>	211,380	320,241	101,773	(0)

173

**Projections**

**Dimbovita**

**Actual and Projected Cash Flow**

**Current Trends - Constant 1995 Lei**

	<b>Table 7</b>								
	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>
<b>Recurring Revenues Total</b>	4 244 968	5 782 476	6 575 135	5 414 175	6 601 169	7 409 149	8 227 271	9 045 392	9 863 514
Of which									
<i>Local Taxes and Fees</i>	707 120	1 314 003	81 369	323 017	10 142	0	0	0	0
<i>Shared National Tax Revenues</i>	2 883 085	4 160 849	6 212 784	4 926 178	6 591 028	7 409 149	8 227 271	9 045 392	9 863 514
<i>State Operating Subsidies</i>	654 763	307 625	280 982	164 980	0	0	0	0	0
<b>Operating Expenditures Total</b>	3 637 095	5 006 872	5 421 007	5 138 817	6 030 773	6 522 703	7 080 010	7 676 976	8 286 471
Of which									
<i>General Administration</i>	461 724	714 746	779 434	728 509	887 363	973 867	1 060 372	1 146 876	1 233 380
<i>Education</i>	0	0	0	0	0	0	0	0	0
<i>Health</i>	0	0	0	208 413	208 413	270 937	333 461	395 985	458 509
<i>Culture &amp; Sports</i>	264 485	185 967	351 287	59 222	102 623	57 576	12 529	0	0
<i>Social Assistance</i>	33 549	0	0	56 999	40 225	47 260	54 295	61 331	68 366
<i>Public Works &amp; Housing</i>	472 609	111 985	286 515	172 706	79 659	7 141	0	0	0
<i>Transportation &amp; Communication</i>	2 348 834	3 869 643	3 898 000	3 577 055	4 351 638	4 722 940	5 094 242	5 465 544	5 836 846
<i>Other Economic Activities</i>	0	0	0	0	0	0	0	0	0
<i>Other Activities</i>	55 893	124 531	105 771	335 913	360 852	442 981	525 111	607 241	689 371
<i>Interest Payments</i>	0	0	0	0	0	0	0	0	0
	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>
<b>Recurring Surplus (Deficit)</b>	607 873	775 604	1 154 128	275 358	570 396	886 446	1 147 260	1 368 416	1 577 042
<b>Non recurring Operating Revenues Total</b>	14 948	10 246	44 999	83 521	98 546	122 593	146 640	170 687	194 735
Of which									
<i>Non recurring Local Operating Revenues</i>	14 948	10 246	44 999	83 521	98 546	122 593	146 640	170 687	194 735
<b>Net Operating Surplus (Deficit)</b>	622 821	785 850	1 199 127	358 879	668 942	1 009 039	1 293 900	1 539 103	1 771 777

174

**Projections**

**Dimbovita**

**Actual and Projected Cash Flow**

**Policy Scenario - Constant 1995 lei**

**Table 8**

	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>
<b>Recurring Revenues Total</b>	4 244 968	5 782 476	6 575 135	5 414 175	6 918 890	7 741 929	8 565 043	9 388 231	10 211 495
Of which									
<i>Local Taxes and Fees</i>	707 120	1 314 003	81 369	323 017	327 862	332 780	337 772	342 839	347 981
<i>Shared National Tax Revenues</i>	2 883 085	4 160 849	6 212 784	4 926 178	6 591 028	7 409 149	8 227 271	9 045 392	9 863 514
<i>State Operating Subsidies</i>	654 763	307 625	280 982	164 980	0	0	0	0	0
<b>Operating Expenditures Total</b>	3 637 095	5 006 872	5 421 007	5 138 817	6 030 773	6 522 703	7 080 010	7 676 976	8 286 471
Of which									
<i>General Administration</i>	461 724	714 746	779 434	728 509	887 363	973 867	1 060 372	1 146 876	1 233 380
<i>Education</i>	0	0	0	0	0	0	0	0	0
<i>Health</i>	0	0	0	208 413	208 413	270 937	333 461	395 985	458 509
<i>Culture &amp; Sports</i>	264 485	185 967	351 287	59 222	102 623	57 576	12 529	0	0
<i>Social Assistance</i>	33 549	0	0	56 999	40 225	47 260	54 295	61 331	68 366
<i>Public Works &amp; Housing</i>	472 609	111 985	286 515	172 706	79 659	7 141	0	0	0
<i>Transportation &amp; Communication</i>	2 348 834	3 869 643	3 898 000	3 577 055	4 351 638	4 722 940	5 094 242	5 465 544	5 836 846
<i>Other Economic Activities</i>	0	0	0	0	0	0	0	0	0
<i>Other Activities</i>	55 893	124 531	105 771	335 913	360 852	442 981	525 111	607 241	689 371
<i>Interest Payments</i>	0	0	0	0					
	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>
<b>Recurring Surplus (Deficit)</b>	607 873	775 604	1 154 128	275 358	888 117	1 219 226	1 485 032	1 711 255	1 925 024

**Projections**

**Dimbovita**

<b>Policy Scenario Assumptions</b>	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>
<b>Percent (%) Change in Real Terms by Year</b>									
<b>Recurring Revenues Total</b>									
Of which									
<i>Local Taxes and Fees</i>	n/a	n/a	n/a		0.015	0.015	0.015	0.015	0.015
<i>Shared National Tax Revenues</i>	n/a	n/a	n/a						
<i>State Operating Subsidies</i>	n/a	n/a	n/a						
<b>Operating Expenditures Total</b>									
Of which									
<i>General Administration</i>	n/a	n/a	n/a						
<i>Education</i>	n/a	n/a	n/a						
<i>Health</i>	n/a	n/a	n/a						
<i>Culture &amp; Sports</i>	n/a	n/a	n/a						
<i>Social Assistance</i>	n/a	n/a	n/a						
<i>Public Works &amp; Housing</i>	n/a	n/a	n/a						
<i>Transportation &amp; Communication</i>	n/a	n/a	n/a						
<i>Other Economic Activities</i>	n/a	n/a	n/a						
<i>Other Activities</i>	n/a	n/a	n/a						

Do you think that changes in policy may create new trends for future revenues and expenditures? If so enter in decimal form what you estimate to be the percent change in real terms not inflationary change. You can enter positive or negative percents for each category of revenues and expenditures in the above section. These percents will modify the projections in the policy scenario section. If no percent is entered the value in the policy scenario will be the same as that in the computer trends. If zero is entered the value of that category will be the same as in the previous year (in constant lei). You can compare the projections made by the computer in the trend section with your projections in the policy scenario.

	<b>Principal</b>	<b>Interest Rate</b>	<b>Term (In Years)</b>	<b>I x Rate</b>
<i>Assume Loan</i>				
<i>Interest Payments</i>	n/a	n/a	n/a	n/a

7/6



**Appendix III**

**Detailed Financial Information on the  
RADP Dambovita  
Judet of Dambovita**

**Net Cash Flow Analysis**  
Constant 1995 Lei

RADP Dambovita	1994	1995	1996	1997	1998
Net Income					
<i>Cash Flow from Operations</i>	0	208,510	169,509	495,260	426,826
<b>Adjust Net Income to net cash provided by operating activities</b>					
Add back DEPRECIATION, AMORTIZATION, PROVISIONS	25,833	720,739	560,405	225,953	199,725
<b>Adjust for change in assets and liabilities</b>					
Add back increase in A/P and any other payable (including accrued liabilities and penalties)	516,960	442,721	1,211,737	440,592	591,315
Subtract increase in A/R and any other accrued receivable	(259,409)	(504,721)	(668,685)	(485,342)	(667,346)
Subtract increase in any of the INVENTORY	(256,200)	(137,336)	(181,885)	(108,000)	(148,500)
<b>Net Cash Flow from Operations</b>	<b>27,183</b>	<b>729,912</b>	<b>1,091,081</b>	<b>568,463</b>	<b>402,020</b>
<i>Cash Flow from Investments</i>					
-/+ (Purchase) / sales of PROPERTY, PLANT AND EQUIPMENT					
-/+ (Purchase) / sale of other INVESTMENTS					
<b>Net Cash Flow from Investments</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<i>Cash Flow from Financing</i>					
Subtract increase in PREPAID EXPENSES	(2,924)	(4,962)	4,786	0	0
Add increase in UNEARNED REVENUES	0	0	0	0	0
Add increase in CREDITS & LOANS	0	0	0	0	0
Subtract DIVIDENDS paid to the owner	0	104,255	84,754	247,630	213,413
<b>Net Cash Flow from Financing</b>	<b>(2,924)</b>	<b>99,293</b>	<b>89,541</b>	<b>247,630</b>	<b>213,413</b>
<b>Net Cash Flow for the Period</b>	<b>24,259</b>	<b>829,205</b>	<b>1,180,622</b>	<b>816,093</b>	<b>615,432</b>
BEGINING Cash	301,500	325,759	1,154,965	2,335,586	3,151,679
ENDING Cash	325,759	1,154,965	2,335,586	3,151,679	3,767,111

173

**Profit and Loss**  
Constant 1995 Lei

	TOTAL 1994	TOTAL 1995	TOTAL 1996	TOTAL 1997	TOTAL 1998
<b>FINANCIAL RESULTS RADP Dambovita</b>	<b>1 34</b>	<b>1 00</b>	<b>0 67</b>	<b>0 36</b>	<b>0 33</b>
1 Revenues from goods (merchandise) sold	67 074	248 211	257 127	252 689	385 735
2 Revenues from Core Activity	366 238	10 157 749	8 430 873	9 294 311	9 357 108
3 Turnover	433 312	10 405 961	8 688 000	9 546 980	9 722 843
4 or <5> Inventories evaluated		84 855	655 928	370 391	1 030 524
6 Assets in Process evaluated					
7 Total Production	366 238	10 242 604	9 086 601	9 664 703	10 367 632
8 Subventions for Core Activity	1 077 779				
9 Other Revenues					
10 Rev from Provisions for Core Activity					
<b>11 Total Revenues Core Activity</b>	<b>1 511 091</b>	<b>10 490 615</b>	<b>9 343 928</b>	<b>9 917 372</b>	<b>10 753 366</b>
12 Merchandise	21 716	88 373	87 228	87 800	117 853
13 Raw Materials	684 660	1 647 242	2 308 327	2 090 782	2 853 915
14 Consumables	74 153	637 310	608 783		
15 Energy and Water	42 328	85 009	114 324		
16 Other Materials	38 835	85 959	86 698		
17 Total Materials	839 975	2 655 519	3 318 143	2 986 631	4 077 022
18 Other Costs	85 747	3 831 480	2 906 644	3 369 062	3 279 309
19 Taxes	111 374	990 070	340 264	665 167	488 034
20 Personnel	336 958	1 373 176	1 313 545	1 256 306	1 340 191
21 Labor Burden	112 978	464 832	437 894	538 417	574 368
22 Total Personnel	449 936	1 838 008	1 751 439	1 794 724	1 914 559
23 Other Operational Costs					
24 Depreciation for core activity	25 633	690 238	512 744	225 953	199 725
<b>25 Total Costs for Core Activity</b>	<b>1 514 581</b>	<b>10 093 689</b>	<b>8 916 462</b>	<b>9 129 538</b>	<b>10 076 501</b>
<b>26 or &lt;27&gt; Profit or &lt;Loss&gt; Core Activity</b>	<b>(3 489)</b>	<b>397 127</b>	<b>427 467</b>	<b>787 834</b>	<b>676 865</b>
<b>34 Total Financial Revenues</b>	<b>3 489</b>	<b>31 207</b>	<b>38 219</b>	<b>34 713</b>	<b>37 529</b>
38 Interest Expense		74 895	54 824		
40 Amortization / Provisions for Losses					
<b>41 Total Financial Costs</b>		<b>74 895</b>	<b>54 824</b>	<b>64 860</b>	<b>64 809</b>
<b>42 or &lt;43&gt; Profit or &lt;Loss&gt; Financial Activity</b>	<b>3 489</b>	<b>(43 688)</b>	<b>(16 604)</b>	<b>(30 146)</b>	<b>(27 281)</b>
<b>44 or &lt;45&gt; Current Profit or &lt;Loss&gt;</b>		<b>353 439</b>	<b>410 862</b>	<b>757 688</b>	<b>649 585</b>
<b>46 Extraordinary Revenues</b>		<b>286</b>	<b>192</b>	<b>192</b>	<b>128</b>
account 671 + 672 Extraordinary Costs					
a/c 687 Amortisation / Provisions for Ex Losses		30 501	47 661		
<b>47 Extraordinary Costs Total</b>		<b>30 501</b>	<b>47 661</b>	<b>29 556</b>	<b>22 028</b>
<b>48 or &lt;49&gt; Extraordinary Profit or &lt;Loss&gt;</b>		<b>(30 215)</b>	<b>(47 469)</b>	<b>(29 364)</b>	<b>(21 900)</b>
<b>52 or &lt;53&gt; Gross Profit or &lt;Loss&gt;</b>		<b>323 224</b>	<b>363 393</b>	<b>728 324</b>	<b>627 685</b>
54 Income Tax		122 825	72 735	233 064	200 859
55 Prepaid Tax			121 150		
<b>56 or &lt;57&gt; Net Profit or &lt;Loss&gt;</b>		<b>200 399</b>	<b>169 509</b>	<b>495 260</b>	<b>426 828</b>

179

## Financial Ratios

RADP Dambovita	1994	1995	1996	1997	1998
<b><u>Vulnerability</u></b>					
Subsidies cover of CF from Operations	100 0%	0 0%	0 0%	0 0%	0 0%
Subsidies cover of Payroll	239 5%	0 0%	0 0%	0 0%	0 0%
w/out labor burden	319 9%	0 0%	0 0%	0 0%	0 0%
Net CF from Ops as % of Payroll	6 0%	39 3%	62 3%	31 7%	21 0%
w/out labor burden	8 1%	2 0%	83 1%	31 7%	21 0%
Net CF from Ops as % of Raw Materials	4 0%	39 1%	47 3%	27 2%	14 1%
<b><u>Profitability</u></b>					
* Operating Profit Margin	0 2%	3 8%	4 6%	7 9%	6 3%
* Gross Margin	0 0%	3 1%	3 9%	7 3%	5 8%
<b><u>Leverage</u></b>					
* debt to assets	8 2%	13 1%	16 5%	13 9%	14 2%
w/out A/C Rec	8 6%	14 7%	18 9%	15 9%	16 6%
* debt to revenues ( core activ)	34 2%	9 0%	15 7%	11 9%	15 1%
w/out subsidies	119 3%	9 0%	15 7%	11 9%	15 1%
* net CF % of TOTAL LIABILITIES	12 6%	98 6%	54 0%	24 9%	76 3%
<b><u>Liquidity</u></b>					
* current ratio	201 8%	198 9%	218 6%	321 9%	314 8%
<b><u>Turns (days)</u></b>					
* collection period	216	28	47	41	62
* days sales in cash	125	24	90	111	126
* payable period	78	18	40	32	39
<b><u>Others</u></b>					
* raw materials % of total costs	1 4%	0 9%	1 0%	1 0%	1 2%
* sal % of total costs	22 2%	13 6%	14 7%	19 7%	19 0%
* subsidies % of total costs	71 2%	0 0%	0 0%	0 0%	0 0%
* subsidies % of turnover	248 7%	0 0%	0 0%	0 0%	0 0%

**Financial Profile  
of the  
Municipality of Targoviste**

**For the period from  
1993 to 1996**

**March 1997**

**Prepared Under Contract  
with the  
United States Agency for International Development**

**By  
The Urban Institute  
2100 M Street  
Washington, D C**

**East European Regional Housing Sector Assistance Project  
Project 180-0034  
U S Agency for International Development, ENI/EEUD/UDH  
Contract No EPE-0034-C-00-5110-00, RFS No 804**

## Introduction

USAID and the EBRD have been cooperating with the Government of Romania in the early development of a work plan to assist in creating a Municipal Credit Facility (MCF) that would lend to general purpose local governments (*judets* and municipalities), as well as local service enterprises (*regii*) to finance investments in infrastructure. The initial phase of that work plan involves an assessment of the existing legal and policy framework as it affects the stability of intergovernmental transfers and the ability of local governments to manage their own finances and to borrow. It also includes an analysis of the current financial condition of general purpose local governments in four urban regions to assess the credit worthiness of municipalities and *judets*, as potential borrowers from the MCF.

This Financial Profile of the Municipality of Targoviste was prepared as part of a broader analysis of the financial condition and financial management capacity of a municipality and a *judet* in each of four urban regions in Romania (Bihor, Constanța, Dâmbovița and Maramureș), as well as that of the corresponding *regii* that provide water, waste water, transport, solid waste and heating services in those regions. The analysis will contribute to an understanding of the issues that might constrain the participation of municipalities in the MCF.

The first part of the analysis looks at the financial condition of the Municipality of Targoviste, based on the actual results for the period from 1993 to 1996. It also attempts to look at the future financial condition of Targoviste through the year 2001, although such projections should be considered as illustrative given the current state of flux of laws and regulations governing local government finances in Romania. The final part of the analysis looks at the financial condition of the *regie* that provides local infrastructure services in Targoviste.

## A FINANCIAL ANALYSIS

### Overall Results

The overall financial results of the Municipality of Targoviste for the period from 1993 to 1996, as shown in Table 1, are consistently positive.

However, these results by themselves reveal little else about the finances of the Municipality of Targoviste. The following sections of this Financial Profile will attempt to provide greater insights into the financial condition of the Municipality.

	1993	1994	1995	1996
Total Revenues	3,938,440	10,582,954	20,448,470	32,747,014
Total Expenditures	3,578,376	10,449,829	20,448,470	32,747,014
<b>Overall Surplus (Deficit)</b>	<b>360,064</b>	<b>133,125</b>	<b>0</b>	<b>0</b>

### Net Operating Results

This section of the analysis looks at net operating results. This is different than the overall surplus or deficit, shown above, which judets and municipalities currently calculate. That analysis looks at the difference between all revenues and all expenditures. Net operating results look only at the difference between non-investment (or operating) expenditures and non-capital (or operating) revenues.

The calculation uses the standard income and expense data reported by judets and municipalities in Annexes 12 and 14 of their quarterly and annual financial statements. These forms include all revenues and expenditures by line item for any given year, including budget and actual information. The calculation of the net operating results first requires identifying and classifying those expenditures related to the cost of administering the Municipality or of providing local services. This includes as well any subsidies or transfers to other organizations, such as the *regii*, to pay for similar costs. These are the *operating expenditures* of the Municipality. The second step is to isolate those revenues that are available on a continuing basis to pay for operating expenditures. These *operating revenues* include all local taxes and fees, shared national tax revenues and any operating subsidies provided by the state. They do not include non-fiscal revenues, such as the proceeds of loans or of the sale of assets, or those revenues provided by the state specifically to pay for investments. Appendix 1 explains the calculation of operating expenditures and revenues using the data available in Annexes 12 and 14 of the standard financial reports.

The net operating results of the Municipality are determined by subtracting its total operating expenditures from its total operating revenues. This will produce

- A net operating surplus when recurring revenues are greater than operating expenditures
- A net operating deficit when operating expenditures are greater than recurring revenues

This is a significant result. Should the Municipality want to enter into a loan or issue bonds, the operating surplus will be the amount available to pay the maturing principal and interest payments on the debt. It will largely determine the maximum amount the Municipality *can* borrow. A Municipality that has a current net operating deficit has no free operating revenues available for debt service. It should not consider entering into any new loans until it has taken steps to identify and address the causes of the problem.

The net operating results of the Municipality of Targoviste for the period from 1993 to 1996 are less positive. Targoviste had an operating deficit in 1994 and 1996.

An analysis of the net operating results in constant 1995 lei, as shown in Table 2, below, reveals that the Municipality had its largest deficit ever in 1996. This occurred despite an increase in revenues of over 10% in real terms. This is cause for some concern.

	1993	1994	1995	1996
Operating Revenues	5,470,426	8,814,061	12,859,227	14,156,315
Operating Expenditures	5,405,916	9,132,648	12,417,349	14,753,369
<b>Operating Surplus (Deficit)</b>	<b>64,510</b>	<b>(318,587)</b>	<b>441,878</b>	<b>(597,054)</b>

### Revenue Trends

This section of the analysis looks at how the revenues of the Municipality of Targoviste have changed over the period from 1993 to 1996. As shown in Table 3, below, revenues have increased steadily in real terms since 1993. The largest year to year increase occurred between 1994 and 1995. The increase in 1996 depended totally on revenues received from the state budget. Local taxes and fees decreased in real terms by almost 20 percent. This is not a positive trend because it makes the Municipality increasingly susceptible to changes in national policies and priorities, as reflected in the annual state budget.

	1993	1994	1995	1996
Local Taxes & Fees	1,601,959	2,026,051	6,108,842	3,983,437
Shared National Taxes	2,637,452	6,094,088	4,590,139	7,235,263
State Operating Subsidies	1,231,015	693,922	2,160,246	2,937,614
<b>Total Operating Revenues</b>	<b>5,470,426</b>	<b>8,814,061</b>	<b>12,859,227</b>	<b>14,156,314</b>
Own Capital Revenues	919,635	830,172	373,001	1,615,393
State Capital Subsidies	1,799,161	3,880,781	7,256,242	5,413,620
<b>Total Capital Revenues</b>	<b>2,718,796</b>	<b>4,710,953</b>	<b>7,629,243</b>	<b>7,029,013</b>
<b>Total Revenues</b>	<b>8,189,222</b>	<b>13,525,014</b>	<b>20,488,470</b>	<b>21,185,327</b>

During the same period, as shown in Table 4, below, the composition of the operating revenues of the Municipality of Targoviste, that is, those revenues that are most critical to an evaluation of the borrowing capacity of the Municipality, has fluctuated from year to year without any evident pattern. The erratic behavior of these key operating revenues may account for the difficulty the municipality has had balancing operating revenues and expenditures.



	1993	1994	1995	1996
Local Taxes & Fees	29 28%	22 99%	47 51%	28 14%
Shared National Taxes	48 21%	69 14%	35 70%	51 11%
State Operating Subsidies	22 50%	7 87%	16 80%	20 75%

**Expenditure Trends**

This section of the analysis looks at how the expenditures of the Municipality of Targoviste have evolved over the period from 1993 to 1996. As shown in Table 5, below, the volume of expenditures in constant 1995 lei grew rapidly in all categories, except transportation, between 1993 and 1995. Expenditures in most categories tended to level off in 1996. The notable exceptions are the expenditures in education and public works which grew rapidly in real per capita terms between 1995 and 1996. This probably explains the operating deficit recorded in 1996.

Chapter	1993	1994	1995	1996
General Administration	2 13	3 24	5 59	4 95
Education	0 00	0 00	18 90	30 73
Health	26 89	44 78	45 80	41 97
Culture and Art	0 32	0 32	2 55	3 89
Social Assistance	0 86	1 99	5 01	7 62
Public Works and Housing	24 96	28 17	42 20	53 82
Transportation and Communication	0 00	13 71	4 47	4 55
Other Economic Activities	0 00	0 00	0 00	0 00
Other Activities	0 00	0 01	0 25	0 34

**Debt**

The Municipality of Targoviste has borrowed twice for short-term cash management, once in 1994 and again in 1996. These are precisely the same years in which the municipality had a net operating deficit. Part of the 1996 loan is still due.

The Municipality is not currently contemplating any future loans.

**Projections**

Table 6A shows the future net operating results for the Municipality of Targoviste as projected to the year 2001, based on current revenue and expenditure trends. That table shows that the Municipality will have to take steps to control the growth of expenditures. Otherwise, it will face growing operating deficits in every year until 2001.

Table 6B shows the future net operating results of the Municipality of Targoviste to the year 2001, as projected based on certain policy assumptions provided by the Municipality. Those assumptions are that local taxes and fees will grow by 1.5% per year starting in 1997. Based on this scenario, the Municipality will face even larger operating deficits in each year because local taxes and fees would be expected to grow at a rate greater than 1.5% based on current trends.

**Table 6A  
Projections - Current Trends  
Current 1995 Lei**

<b>Targoviste Actual and Projected Cash Flow</b>	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>
<b>Current Trends - Constant 1995 Lei</b>									
<b>Recurring Revenues Total</b>	5 241 918	8 460 844	12 278 973	13 851 342	17,369 869	20 334 509	23 299 149	26 263 789	29 228 429
Of which									
<i>Local Taxes and Fees</i>	1 373 451	1 672 834	5 528 588	3 678 464	5 756 032	6 833 112	7 910 191	8 987 270	10 064 349
<i>Shared National Tax Revenues</i>	2 637 452	6 094 088	4 590 139	7 235 263	8 211 607	9 440 555	10 669 504	11 898 452	13 127 401
<i>State Operating Subsidies</i>	1 231 015	693 922	2 160 246	2 937 614	3 402 230	4 060 842	4 719 455	5 378 067	6 036 679
<b>Operating Expenditures Total</b>	5 405 916	9 132 648	12 417 349	14 753 369	18,259 086	21 391 792	24 524 498	27 657 204	30 789 910
Of which									
<i>General Administration</i>	209 095	320 871	556 610	493 814	667 572	776 561	885 551	994 541	1 103 530
<i>Education</i>	0	0	1 880 596	3,065 647	4 005 945	5 113 699	6 221 452	7,329 206	8 436 960
<i>Health</i>	2 640 046	4 434 660	4 557,536	4 187 999	5 146,745	5,623 418	6 100 092	6 576 766	7 053 440
<i>Culture &amp; Sports</i>	31 558	31 234	253 630	388 030	499,066	628 247	757 429	886 610	1 015 791
<i>Social Assistance</i>	84 481	197 125	499 009	760 430	967 694	1,200 667	1 433 640	1 666 613	1 899 586
<i>Public Works &amp; Housing</i>	2 440 736	2 790 205	4,200 188	5 369 662	6 249 388	7 269 064	8 288 740	9 308 416	10 328 092
<i>Transportation &amp; Communication</i>	0	1 357 856	444 859	453 739	676 169	720 991	765 813	810 635	855 457
<i>Other Economic Activities</i>	0	0	0	0	0	0	0	0	0
<i>Other Activities</i>	0	697	24 921	34 047	46 508	59 144	71 781	84 417	97 054
<i>Interest Payments</i>	0	0	0	0	0	0	0	0	0
<b>Recurring Surplus (Deficit)</b>	<b>(163 998)</b>	<b>(671 804)</b>	<b>(138 376)</b>	<b>(902 027)</b>	<b>(889 217)</b>	<b>(1 057 283)</b>	<b>(1 225 349)</b>	<b>(1 393 415)</b>	<b>(1 561 481)</b>
<b>Non recurring Operating Revenues Total</b>	228 508	353 217	580 254	304 973	480 846	526 489	572 133	617 776	663 419
Of which									
<i>Non recurring Local Operating Revenues</i>	228 508	353 217	580 254	304,973	480 846	526 489	572,133	617 776	663 419
<b>Net Operating Surplus (Deficit)</b>	<b>64 510</b>	<b>(318 586)</b>	<b>441 878</b>	<b>(597 054)</b>	<b>(408 370)</b>	<b>(530 793)</b>	<b>(653 216)</b>	<b>(775 639)</b>	<b>(898 062)</b>

187

**Table 6B**  
**Projections - Policy Scenario**  
**Constant 1995 Lei**

<b>Actual and Projected Cash Flow</b>									
<b>Policy Scenario - Constant 1995 Lei</b>	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>
<b>Recurring Revenues Total</b>	5 241 918	8 460 844	12 278 973	13 851 342	15 347 478	17 291 043	19 235 449	21 180 707	23 126 830
Of which									
<i>Local Taxes and Fees</i>	1 373 451	1 672 834	5 528 588	3 678,464	3 733 641	3 789 646	3 846 490	3,904 188	3 962 750
<i>Shared National Tax Revenues</i>	2 637 452	6 094 088	4 590 139	7 235 263	8 211 607	9 440 555	10 669 504	11 898 452	13 127 401
<i>State Operating Subsidies</i>	1 231 015	693 922	2 160 246	2 937 614	3 402 230	4 060 842	4 719 455	5 378 067	6 036 679
<b>Operating Expenditures Total</b>	5 405 916	9 132 648	12 417 349	14 753 369	18 259 086	21 391 792	24 524 498	27 657 204	30 789 910
Of which									
<i>General Administration</i>	209 095	320 871	556,610	493 814	667 572	776,561	885 551	994 541	1 103 530
<i>Education</i>	0	0	1 880 596	3 065 647	4 005 945	5 113 699	6 221 452	7 329 206	8 436 960
<i>Health</i>	2 640 046	4 434 660	4 557 536	4 187 999	5 146 745	5 623 418	6 100 092	6 576 766	7 053 440
<i>Culture &amp; Sports</i>	31 558	31 234	253 630	388 030	499 066	628 247	757 429	886 610	1 015 791
<i>Social Assistance</i>	84 481	197 125	499 009	760 430	967 694	1 200 667	1,433 640	1 666 613	1 899 586
<i>Public Works &amp; Housing</i>	2 440 736	2 790 205	4 200,188	5 369 662	6 249 388	7 269 064	8 288 740	9 308 416	10 328 092
<i>Transportation &amp; Communication</i>	0	1 357 856	444 859	453 739	676 169	720 991	765 813	810 635	855 457
<i>Other Economic Activities</i>	0	0	0	0	0	0	0	0	0
<i>Other Activities</i>	0	697	24,921	34 047	46,508	59 144	71 781	84 417	97 054
<i>Interest Payments</i>	0	0	0	0					
	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>
<b>Recurring Surplus (Deficit)</b>	(163 998)	(671 804)	(138 376)	(902,027)	(2 911,608)	(4 100 749)	(5 289 049)	(6 476 497)	(7 663 080)

## B PROVISION OF INFRASTRUCTURE SERVICES

### Organizations Responsible for Local Services

For the Municipality of Targoviste infrastructure services are provided by a local regie autonome and a commercial company

The Regie Autonome for Public Works, known as "RA de Gospodarie comunala locala" (RAGC) provides the following services

- Water and waste water
- Heating (including both production and distribution)
- Mass Transit
- Housing and others (including markets)
- City street maintenance

"SC de Salubritate," a private company, collects and disposes of solid waste based on commercial contracts with local residents and businesses. A second private garbage collection company is in the offing. The municipality supervises the licensing of these companies. The municipality requires that every household, as well as private or public entities, sign a contract for garbage collection with one of these two companies.

This analysis focuses on RAGC only. Since the regie began to operate under its current structure in 1994, the analysis covers the financial history from 1994 to 1996.

### Net Profit (Loss)

The net income of RAGC, as shown in Table 7, below, has followed a steady positive trend during the period from 1994 to 1996. The results have improved from a loss of lei 1,342.6 million in 1994 to an estimated profit of lei 323.9 million in 1996, expressed in constant 1995 lei. It is expected that 1997 will produce a profit of approximately lei 1.1 billion, if present conditions remain the same.

The operating profit margin of RAGC is also improving from a negative 10.0 percent in 1994 to a positive 4.3 percent in 1996, showing that the regie is able to perform its core activity and earn a modest profit.

Presenting the figures for the regie as a whole, however, masks the fact that certain parts of the regie are not profitable. In 1995, the regie lost lei 307 million in performing the services for heating and mass transit, which was balanced by equal gains from the operations concerning water, sewage and other public work activities. By the third quarter of 1996, these same services produced a loss of lei 787.2 million and were offset by gains of lei 1,236 million for the other services.

Although the operating results provide important information about the finances of RAGC, they may not provide a complete understanding of the overall financial condition of the regie. The following analysis will attempt to provide additional insights.

<b>Table 7</b>				
<b>Net Profit (Loss)</b>				
Constant 1995 Lei - Thousands				
	<b>1994</b>	<b>1995</b>	<b>1996 (E)</b>	<b>1997 (P)</b>
Operating Revenues	12,475,346	20,783,530	21,735,654	21,893,260
Operating Costs	13,819,546	20,917,507	20,795,422	20,127,627
Operating Profit (Loss)	(1,344,200)	(133,977)	940,232	1,765,633
Operating Profit (Loss) Margin	(10.8)%	(0.6)%	4.3%	8.1%
Other Revenues	98,230	107,337	130,079	107,558
Other Costs	96,582	94,843	547,843	215,984
Gross Profit (Loss)	(1,342,552)	(121,483)	522,468	1,657,207
Profit/Payroll Taxes Paid	0	1,114	198,538	530,306
<b>Net Profit (Loss)</b>	<b>(1,342,552)</b>	<b>(122,597)</b>	<b>323,930</b>	<b>1,126,901</b>

### Net Cash Flow Analysis

The Income Statement and the Balance Sheet of a local regie or commercial company that provides essential infrastructure services to a community present valuable information both to the managers and to the Local Councils and other interested parties such as investors and creditors. Yet, it is important to look beyond the results reported in the Income Statement and Balance Sheet at other results that can be calculated using the information available in those statements.

Under the present conditions in the Romanian economy, it is not unusual to find commercial companies, including many local regii, with high levels of both accounts receivable and accounts payable. A growing inability to collect payments owed by clients for services provided, reflected in the increase in accounts receivable, poses a potential threat to the liquidity of many companies, including some of the regii. By and large, companies have tried to offset the loss of cash implicit in the increase in accounts receivable by a corresponding increase in accounts payable. The situation often is described as one of "financial blockage" - no-one pays anyone else. This involves serious risks. It is not sustainable over time. What might happen, for example, if a large creditor (such as RENEL) demands payment of accumulated bills? In the absence of a compensating reduction in receivables (an increase in the collection from its debtors), the commercial company or regie would face a serious cash problem that might impair its ability to continue to operate normally.

The existing situation of "financial blockage" distorts the picture of the financial condition of a company or regie, as shown in its financial statements. Assets, as shown by accounts receivable in the balance sheet, may not be what they seem. It is likely that in the future not all receivables will be recovered. Consequently, companies should be making provisions for losses from bad debts. Conversely, liabilities, as shown by accounts payable, may also be inaccurate. As companies begin to face the obligation to repay accumulated arrears, there is a potential for

late payment fees or penalties. Therefore, companies (including regii) which have a high volume of accounts payable should start introducing provisions for losses on penalties and litigation.

The most immediate problem, however, is whether the company is generating sufficient cash to ensure its continued operations. In answering this question, it is necessary to look beyond the operating results as reported in the Income Statement to the Net Cash Flow of the company. By projecting, for the near future, the level of cash that flows through the company, the management can predict the company's cash position at every instant in time, assess liquidity risks, and prevent unpleasant moments of illiquidity. In the case of the regie, liquidity is also a concern for the municipality which has an obligation to provide a reasonable level of infrastructure services to the local community. Barring any force majeure and using good sense in estimating the risks, the trend in the ending cash position can show well in advance when a liquidity problem might arise.

#### *How We Arrive at Net Cash Flow*

The purpose of the Net Cash Flow analysis is to identify the sources and uses of cash during the accounting period. To do this, the analysis divides the operations of a company or regie into three main activity groups that cause assets to change: operations, investments and financing. Beginning with net income calculated on an accrual basis, the analysis makes a series of adjustments intended to transform net income into cash flow. The adjustments are of three types:

- Expenses not involving cash outflows are added back, e.g. depreciation, deferred taxes, increase in accounts payable and in accrued interest payable,
- Cash outflows not treated as expenses are subtracted, e.g. increase in inventory, dividends,
- Revenues not involving cash inflows are subtracted as well, e.g. increase in accounts receivable and in accrued interest earned, and gain on sale of property.<sup>1</sup>

The first activity covered in the analysis are the income and expenses related to the *operations* of the company or regie. Most expenses involve a corresponding outflow of cash. Depreciation, amortization and provisions, however, although deducted as expenses do not require the use of cash. Since they are a non-cash reduction in net income, they are added back to adjust the cash flow from operations. The same is true for the increase in accounts payable (the difference is deducted from net income but not yet paid) and the decrease in accounts receivable (similarly, this is an increase in sales for which the regie has not been paid). In addition, the increase in inventory is deducted to reflect the cash used to produce the additional inventory. This part of the analysis looks at the trends in accounts payable and accounts receivable, as well as net cash generated from operations.

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<sup>1</sup> Whatever cash is generated by the sale of property will appear on the cash flow statement as proceeds from the sale of property under the heading "cash flow from investments". The gain (or loss) on the sale is the difference between the property's selling price and its balance sheet value when sold. Because this gain is already part of the line -/+ (purchase)/sale of property, plant or equipment, showing it also as part of operating activities would amount to double-counting.

The final two parts of the analysis then look at the impact on net cash flow of *investment and financing activities*. The first involves changes in a firm's long-term investments in property, plant and equipment. These activities are not reflected in the income statement but represent a use (or a source of) cash.<sup>2</sup> *Financing activities* include cash raised from debt (inflows) and cash outflows for the dividends paid.<sup>3</sup>

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<sup>2</sup> Because of little information on the changes in property, plant and equipment we assumed that all changes come from revaluation of the assets. This is a change that does not affect either the cash flow or net income.

<sup>3</sup> In the particular case of Romania and the region, we have also observed the use of unearned revenues as a way to bridge-finance the shortfall of cash at the end of the year. Similarly, this is sometimes compensated by an increase in prepaid expenses. Both are a masked form of short-term financing.

1/12



**Table 8**  
**Net Cash Flow Analysis**  
**Constant 1995 Lei**

<b>RAGC Targoviste</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>
Net Income	(1,342,551)	(122,596)	323,930	1,126,901	1,085,529
<i>Cash Flow from Operations</i>					
<b>Adjust Net Income to net cash provided by operating activities</b>					
Add back DEPRECIATION, AMORTIZATION, PROVISIONS	872,273	1,070,934	1,070,588	339,225	299,848
<b>Adjust for change in assets and liabilities</b>					
Add back increase in A/P and any other payable (including accrued liabilities and penalties)	3,267,932	5,858,734	2,637,714	4,248,224	3,442,969
Subtract increase in A/R and any other accrued receivable	(2,153,770)	(6,442,198)	(2,380,780)	(4,411,489)	(3,396,134)
Subtract increase in any of the INVENTORY	(237,979)	(1,161,268)	(371)	(580,819)	(290,595)
<b>Net Cash Flow from Operations</b>	<b>405,905</b>	<b>(796,393)</b>	<b>1,651,081</b>	<b>722,042</b>	<b>1,141,617</b>
<i>Cash Flow from Investments</i>					
-/+ (Purchase) / sales of PROPERTY, PLANT AND EQUIPMENT					
-/+ (Purchase) / sale of other INVESTMENTS					
<b>Net Cash Flow from Investments</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<i>Cash Flow from Financing</i>					
Subtract increase in PREPAID EXPENSES	(84,929)	76,623	231,160		
Add increase in UNEARNED REVENUES	(187,252)	1,147	283,236		
Add increase in CREDITS & LOANS	(150,080)	0	0		
Subtract DIVIDENDS paid to the owner		0	(161,965)	(563,450)	(542,764)
<b>Net Cash Flow from Financing</b>	<b>(422,261)</b>	<b>77,770</b>	<b>352,431</b>	<b>(33,950)</b>	<b>343,293</b>
<b>Net Cash Flow for the Period</b>	<b>(16,356)</b>	<b>(718,624)</b>	<b>2,003,512</b>	<b>688,091</b>	<b>1,484,910</b>
<b>BEGINING Cash</b>	<b>1,169,679</b>	<b>1,153,323</b>	<b>434,700</b>	<b>2,801,090</b>	<b>3,489,181</b>
<b>ENDING Cash</b>	<b>1,153,323</b>	<b>434,700</b>	<b>2,801,090</b>	<b>3,489,181</b>	<b>4,974,091</b>

**Net Cash Flow Actual to Date***Trends in Accounts Receivable*

The receivables of RAGC have increased over the years, reaching a record level of Lei 9 billion in September 1996. The largest single increase was in 1995 when accounts receivable jumped in one year by Lei 6.5 billion. Even considering an improvement for 1997, the receivables will probably continue to increase by about 3.5 or 4 billion Lei in real terms per year all other things being equal. The largest share of debtors comes from private households.

*Trends in Accounts Payable*

Because of the increase in accounts receivable, the working capital has been largely financed through a corresponding increase in accounts payable. Consequently accounts payable for RAGC have similarly increased with a peak in 1995 of Lei 5.9 billion. The major creditor is RENEL, the power authority, through its two local subsidiaries.

*Net Cash Flow*

Because of the parallel increase in the level of receivables and payables, the net cash flow actually follows the trend in income. As a result, at present the regie is in a relatively sound cash position. Liquidity is good and increasing. It is expected that it will retain its current ratio of over 100 percent or more. The debt to assets ratio is a reassuring 15 percent.

Subsidies play a major part in the regie's operations. They account for all of the net cash generated from operations and approximately 15 percent of turnover. Consequently, any change in the policy leading to a reduction in subsidies will have a significant adverse impact on the net cash position of the regie. Among other external factors that could have a significant impact on the cash position of the regie, the largest single concern would be an increase in the price of energy or water (which account for one-third of total costs). The second most important is the cost of labor, which is currently 25 percent of total costs and is expected to increase to 30 percent. Any price increase in these cost factors could have an adverse impact on the net cash position of the regie if it cannot pass on the increases to its clients. The growing arrearage in payments by clients suggests that the regie might not be able to recover an increase in costs.

**Impact on Finances of the Municipality**

Table 9, below, shows the flow of funds between the Municipality and RAGC Targoviste. As indicated by the figures in the table, there was a net flow from the Municipality to the regie in each year between 1994 and 1996. Although RAGC expected a profit in 1996, this came mostly from subsidies from the municipality, and thus a net loss for the municipality. The net flow, however, was not significant in the overall finances of the city.

<b>Table 9</b>			
<b>Flow of Funds</b>			
<b>Municipality - RAGC Targoviste</b>			
	<b>1994</b>	<b>1995</b>	<b>1996</b>
From the Municipality to RAGC	1,452,391	2,212,552	3,372,050
State Subsidies	1,452,391	2,212,552	3,372,050
Other	0	0	0
From RAGC to the Municipality	1,251,994	2,069,581	2,260,017
Income and Sales Tax Revenues	1,251,994	2,069,581	2,098,052
Distribution of Profits	0	0	161,965
<b>Net To (From) Municipality</b>	<b>(200,397)</b>	<b>(142,971)</b>	<b>(1,112,033)</b>
Net as Percent of Revenues (Expenditures)	(2.1)%	(0.9)%	(4.0)%

## APPENDIX I - DEFINITIONS

<b>1996 Code</b>	<b>Category/Sub Category Recurring Revenues</b>
	of which
	Local Taxes and Fees
	Shared National Salary Tax Revenues
	State Operating Subsidies
	<b>Local Taxes and Fees</b>
	of which
01 02	Taxes on Profits of Regii
03 02	Taxes and Fees on Individuals
04 02	Fees for Use of State Property
05 02	Corporate Property Tax
06 02	Corporate Vehicle Fees
07 02	Tax on Revenues from Agriculture
08 02	Other Direct Taxes
17 02	Other Indirect Taxes
	<b>Shared National Tax Revenues</b>
	of which
34 02	Shared National Salary Tax Revenues
	<b>State Operating Subsidies</b>
	of which
37 02 01	Subsidies for Social Assistance, Heating & Public Transport
	<b>Non-Recurring Revenues</b>
	of which
	Non-Recurring Local Operating Revenues
	Local Capital Revenues
	Other Capital Revenues
	<b>Non-Recurring Local Operating Revenues</b>
	of which
15 02	Entertainment Fees
20 02	Distribution from Profits of Regii
21 02	Revenues from Public Institutions
22 02	Other Various Revenues
40 02	Donations
	<b>Local Capital Revenues</b>
	of which
30 02	Proceeds from the Sale of Public Property & Housing
45 02	Proceeds of Short-term Loans
	<b>Other Capital Revenues</b>
	of which
37 02 02	State Capital Investment Subsidies
37 02 03	Capital Investment Subsidies from External Loans
46 02	Proceeds of Loans from Revolving Funds

**Appendix II**

**Detailed Financial Information on the  
Municipality of Targoviste**

**Standard Data Set**

<b>Targoviste</b>				
<b>Line Revenues - Actual at Year End</b>	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>
<b>0 Total Revenues</b>	3 938 440	10 582 954	20 488,470	32 747 014
Change in Total Revenues (current year/previous year)		2 69	1 94	1 60
<b>1 Local Taxes and Fees Recurring</b>	660 534	1 308 947	5 528 588	5 771 510
<b>2 Non Recurring Local Operating Revenues</b>	109 896	276 383	580 254	478 503
<b>3 Local Capital Revenues</b>	442 280	649 587	373 001	2 534 552
<b>4 Of which Proceeds from the sale of public property</b>	9,793	51	1,322	1 075
<b>5 Shared National Tax Revenues</b>	1,268 429	4 768 457	4 590 139	11 352 128
<b>6 State Operating Subsidies</b>	592 032	542 975	2 160,246	4 609 117
<b>7 Other Capital Revenues</b>	865 270	3 036 605	7 256 242	8 493 969
<b>8 Total Recurring Revenues (Line 1+5+6)</b>	2 520 994	6 620 379	12 278 973	21 732 755
Change in Recurring Revenues (current year/previous year)		2 63	1 85	1 77
<b>9 Total Non Recurring Revenues (Line 2+3+7)</b>	1 417 446	3,962 575	8 209 497	11 507 024
<b>10 Verify Line 0 = Sum (Line 8+9)</b>	3 938 440	10 582 954	20 488 470	492 765
	OK	OK	OK	Error
 <b>Revenues - Initial Approved Budget</b>				
<b>11 Total Revenue Budget</b>	<b>3 069 841</b>	<b>7 386 485</b>	<b>18 732 369</b>	<b>29 733 170</b>
<b>12 Local Revenues and Fees</b>	427 885	1,322 345	5 953 200	7 130 500
<b>13 Shared National Tax Revenues</b>	979 541	3 133 813	3 726 769	9 924 128
<b>14 State Operating Subsidies</b>	594 030	500 000	1 450,400	2 994 000
<b>15 Recurring Revenue Budget (Line 12+13+14)</b>	2 001 456	4 956 158	11 130 369	20 048 628

Standard Data Set

Targoviste

Expenditures - Actual at Year End

	1993	1994	1995	1996
16 Administrative Expenses General Administration	100,560	251 073	556 610	774 794
17 Subsidies and Transfers General Administration	0	0	0	0
18 Capital Expenditures General Administration	9 791	0	171 864	15 958
19 Administrative Expenses Education	0	0	1 880 596	4 810 000
20 Subsidies and Transfers Education	0	0	0	0
21 Capital Expenditures Education	0	0	0	0
22 Administrative Expenses Health	1 269 676	3,470 000	4 557 536	6 570 971
23 Subsidies and Transfers Health	0	0	0	0
24 Capital Expenditures Health	0	0	0	0
25 Administrative Expenses Culture & Sports	15 177	24 440	0	0
26 Subsidies and Transfers Culture & Sports	0	0	253 630	608 819
27 Capital Expenditures Culture & Sports	0	0	0	63 576
28 Administrative Expenses Social Assistance	40 630	154 245	327 919	346 041
29 Subsidies and Transfers Social Assistance	0	0	171 090	847 074
30 Capital Expenditures Social Assistance	1 583	778 405	479 944	280 572
31 Administrative Expenses Public Works & Housing	581 791	1 683 259	2 369 331	4 315 000
32 Subsidies and Transfers Public Works & Housing	592 031	500,000	1 830 857	4 110 000
33 Capital Expenditures Public Works & Housing	967 138	2 282 402	6 049,059	8 123 501
34 Administrative Expenses Transportation & Communication	0	0	0	0
35 Subsidies and Transfers Transportation & Communication	0	1 062 485	444 859	711 917
36 Capital Expenditures Transportation & Communication	0	42 975	1 364 000	1 111 480
37 Administrative Expenses Other Economic Activities	0	0	0	0
38 Subsidies and Transfers Other Economic Activities	0	0	0	0
39 Capital Expenditures Other Economic Activities	0	0	0	0
40 Administrative Expenses Other Activities	0	545	24 921	53 420
41 Subsidies and Transfers Other Activities	0	0	0	0
42 Capital Expenditures Other Activities	0	0	6 254	3 891
<b>Operating Expenditures by Chapter</b>				
43 General Administration Oper Exp (Line 16+17)	100 560	251 073	556 610	774 794
44 Education Oper Exp (Line 19+20)	0	0	1 880 596	4 810 000
45 Health Oper Exp (Line 22+23)	1 269,676	3 470 000	4 557 536	6 570 971
46 Culture & Sports Oper Exp (Line 25+26)	15 177	24,440	253 630	608 819
47 Social Assistance Oper Exp (Line 28+29)	40 630	154 245	499 009	1,193,115
48 Public Works & Housing Oper Exp (Line 31+32)	1 173 823	2 183 259	4 200 188	8 425 000
49 Transportation & Communication Oper Exp (Line 34+35)	0	1 062 485	444 859	711 917
50 Other Economic Activities Oper Exp (Line 37+38)	0	0	0	0
51 Other Activities Oper Exp (Line 40+41)	0	545	24 921	53 420

199

**Standard Data Set**

**Targoviste**

<b>Expenditures - Actual at Year End</b>	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>
52 <i>Total Operating Expenditures (Line 53+54+55)</i>	2,599 865	7 146 047	12 417 349	23 148 036
Of which Change in Operating Expenditures (current year/previous year)		2 75	1 74	1 86
53 <i>Total Administrative Expenses (Line 16+19+22+25+28+31+34+37+40)</i>	2 007 834	5 583 562	9 716 913	16 870 226
54 <i>Total Subsidies &amp; Transfers (Line 17+20+23+26+29+32+35+38+41)</i>	592 031	1 562 485	2 700 436	6 277 810
55 <i>Interest Payments</i>	0	0	0	0
56 <i>Total Capital Expenditures (Line 18+21+24+27+30+33+36+39+42)</i>	978 511	3 103 782	8 071 121	9 598 978
57 <i>Other Payments (Line 58+59+60)</i>	0	342 474	0	492 765
Of which				
58 <i>Principal Repayments</i>	0	200 000	0	492 765
59 <i>Set Aside for Reserves</i>	0	0	0	0
60 <i>Distribution of Surplus</i>	0	142 474	0	0
61 <i>Total Annual Debt Service (Principal+Interest Payments)</i>	0	200 000	0	492 765
62 <i>Total Expenditures</i>	3 578 376	10 449 829	20 488 470	32 747 014
	3 578 376	10 592 303	20 488 470	(492 765)
63 <i>Verify Line 62 = Sum (Line 52+56+57)</i>	OK	OK	OK	Error
<b>Expenditures - Initial Approved Budget</b>	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>
64 <i>Operating Expenditure Budget</i>	2 738 129	3 963 159	10 858 369	20 189 628
65 <i>Capital Expenditure Budget</i>	980 600	3 413 326	7 834 000	9 459 542
<b>Other Non-Financial Data</b>				
66 <i>Total Local Government Employees (Municipal or Judet)</i>	0	0	0	0
67 <i>Total Population (Municipality or Judet)</i>	98 192	99 033	99 519	99 776
68 <i>Year to Year Inflation</i>	296 0%	62 7%	27 8%	56 9%
69 <i>Deflator (Base Year = 1995)</i>	2 08	1 28	1 00	0 64



## Indicators

<b>Targoviste</b>				
<b>Financial Performance Indicators</b>	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>
<i>Key Revenue Indicators</i>				
1 - Recurring Revenues/Total Revenues	0 64	0 63	0 60	0 66
2 - Shared National Tax Revenues/Recurring Revenues	0 50	0 72	0 37	0 52
3 - State Operating Subsidies/Recurring Revenues	0 23	0 08	0 18	0 21
4 - Local Taxes & Fees/Recurring Revenues	0 26	0 20	0 45	0 27
5 - Proceeds from Asset Sales/Total Revenues	0 00	0 00	0 00	0 00
 <i>Key Expenditure Indicators</i>				
6 - Total Expenditures Per Capita (1000 lei)	36 44	105 52	205 87	328 21
7 - Operating Expenditures Per Capita (1000 lei)	26 48	72 16	124 77	232 00
8 - Operating Expenditures/Total Expenditures	0 73	0 68	0 61	0 71
9 - Capital Expenditures/Total Expenditures	0 27	0 30	0 39	0 29
 <i>Key Indicators of Net Results</i>				
10 - Total Expenditures/Total Revenues	0 91	0 99	1 00	1 00
11 - Operating Expenditures/Recurring Revenues	1 03	1 08	1 01	1 07
12 - Recurring Surplus/Shared National Tax Revenues	-0 06	-0 11	-0 03	-0 12
13 - Recurring Surplus/Local Taxes & Fees	-0 12	-0 40	-0 03	-0 25
 <i>Key Actual to Budget Performance Indicators</i>				
14 - Actual Revenues/Initial Revenue Budget	1 28	1 43	1 09	1 10
15 - Actual Recurring Revenues/Initial Recurring Revenue Budget	1 26	1 34	1 10	1 08
16 - Actual Local Taxes and Fees/Local Taxes and Fees Budget	1 54	0 99	0 93	0 81
17 - Actual Shared National Tax Revenues/National Tax Budget	1 29	1 52	1 23	1 14
18 - Actual Expenditures/Initial Expenditure Budget	0 96	1 42	1 10	1 10
19 - Actual Operating Expenditures/Initial Operating Expenditure Budget	0 95	1 80	1 14	1 15
20 - Actual Capital Expenditures/Initial Capital Expenditure Budget	1 00	0 91	1 03	1 01

201

## Indicators

### Targoviste

<i>Key Relative Performance Indicators</i>	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>
<b>21</b> - Change in Recurring Revenues /Change in Total Revenues	n/a	0 98	0 96	1 11
<b>22</b> Change in Operating Expenditures/Change in Recurring Revenues	n/a	1 05	0 94	1 05
 <i>Key Debt Service Indicators</i>				
<b>23</b> - Total Annual Debt Service/Recurring Revenues	0 00	0 03	0 00	0 02
<b>24</b> Interest Payments/Recurring Revenues	0 00	0 00	0 00	0 00
<b>25</b> Total Annual Debt Service/Recurring Surplus before Interest Payments	0 00	-0 38	0 00	-0 35
<b>26</b> Max Future Debt Service/Recurring Surplus before Interest Payments	-139 83	-20 98	-79 70	0 00
 <i>Operating Expenditure Indicators by Chapter (1000 lei)</i>				
<b>27</b> General Administration Expenditures/Per Capita	1 02	2 54	5 59	7 77
<b>28</b> Education Expenditures/Per Capita	0 00	0 00	18 90	48 21
<b>29</b> Health Expenditures/Per Capita	12 93	35 04	45 80	65 86
<b>30</b> - Culture & Sports Expenditures/Per Capita	0 15	0 25	2 55	6 10
<b>31</b> Social Assistance Expenditures/Per Capita	0 41	1 56	5 01	11 96
<b>32</b> Public Works & Housing Expenditures/Per Capita	11 95	22 05	42 20	84 44
<b>33</b> Transportation Expenditures/Per Capita	0 00	10 73	4 47	7 14
<b>34</b> Other Economic Expenditures/Per Capita	0 00	0 00	0 00	0 00
<b>35</b> Other Expenditures/Per Capita	0 00	0 01	0 25	0 54
 <i>Operating Expenditure Indicators by Chapter (Constant 1995, 1000 Lei)</i>				
<b>36</b> - General Administration Expenditures/Per Capita	2 13	3 24	5 59	4 95
<b>37</b> - Education Expenditures/Per Capita	0 00	0 00	18 90	30 73
<b>38</b> - Health Expenditures/Per Capita	26 89	44 78	45 80	41 97
<b>39</b> Culture & Sports Expenditures/Per Capita	0 32	0 32	2 55	3 89
<b>40</b> Social Assistance Expenditures/Per Capita	0 86	1 99	5 01	7 62
<b>41</b> Public Works & Housing Expenditures/Per Capita	24 86	28 17	42 20	53 82
<b>42</b> Transportation Expenditures/Per Capita	0 00	13 71	4 47	4 55
<b>43</b> Other Economic Expenditures/Per Capita	0 00	0 00	0 00	0 00
<b>44</b> Other Expenditures/Per Capita	0 00	0 01	0 25	0 34

202

## Indicators

### Targoviste

<b>Actual Net Operating Results</b>	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>
<b>Recurring Revenues Total</b>	2,520,994	6,620,379	12,278,973	21,732,755
Of which				
<i>Local Taxes and Fees</i> <sup>1</sup>	660,534	1,308,947	5,528,588	5,771,510
<i>Shared National Tax Revenues</i>	1,268,429	4,768,457	4,590,139	11,352,128
<i>State Operating Subsidies</i>	592,032	542,975	2,160,246	4,609,117
<b>Operating Expenditures Total</b>	2,599,865	7,146,047	12,417,349	23,148,036
Of which				
- <i>General Administration</i>	100,560	251,073	556,610	774,794
<i>Education</i>	0	0	1,880,596	4,810,000
<i>Health</i>	1,269,676	3,470,000	4,557,536	6,570,971
- <i>Culture &amp; Sports</i>	15,177	24,440	253,630	608,819
- <i>Social Assistance</i>	40,630	154,245	499,009	1,193,115
<i>Public Works &amp; Housing</i>	1,173,823	2,183,259	4,200,188	8,425,000
<i>Transportation &amp; Communication</i>	0	1,062,485	444,859	711,917
- <i>Other Economic Activities</i>	0	0	0	0
<i>Other Activities</i>	0	545	24,921	53,420
<i>Interest Payments</i>	0	0	0	0
<b>Recurring Surplus (Deficit)</b>	(78,871)	(525,668)	(138,376)	(1,415,281)
<b>Non-recurring Operating Revenues Total</b>	109,896	276,383	580,254	478,503
Of which				
<i>Non recurring Local Operating Revenues</i>	109,896	276,383	580,254	478,503
<b>Net Operating Surplus (Deficit)</b>	31,025	(249,285)	441,878	(936,778)

204

## Indicators

### Targoviste

	1993	1994	1995	1996
<b>Capital Revenues Total</b>	1,307,550	3,686,192	7,629,243	11,028,521
Of which				
Local Capital Revenues	442,280	649,587	373,001	2,534,552
- State Capital Subsidies	865,270	3,036,605	7,256,242	8,493,969
<b>Total Funds Available for Investments</b>	1,338,575	3,436,907	8,071,121	10,091,743
<b>Capital Expenditures Total by Chapter</b>	978,511	3,103,782	8,071,121	9,598,978
- <i>General Administration</i>	9,791	0	171,864	15,958
<i>Education</i>	0	0	0	0
<i>Health</i>	0	0	0	0
<i>Culture &amp; Sports</i>	0	0	0	63,576
<i>Social Assistance</i>	1,583	778,405	479,944	280,572
- <i>Public Works &amp; Housing</i>	967,138	2,282,402	6,049,059	8,123,501
- <i>Transportation &amp; Communication</i>	0	42,975	1,364,000	1,111,480
<i>Other Economic Activities</i>	0	0	0	0
<i>Other Activities</i>	0	0	6,254	3,891
<b>Overall Surplus (Deficit)</b>	360,064	333,125	0	492,765
<b>Minus Other Payments Total</b>	0	342,474	0	492,765
Of which				
<i>Principal Repayments</i>	0	200,000	0	492,765
<i>Set Aside for Reserves</i>	0	0	0	0
<i>Distribution of Surplus</i>	0	142,474	0	0
Verify Overall Surplus (Deficit) minus Other Payments = 0	Error	Error	OK	OK

204

## Indicators

### Targoviste

#### Actual Net Operating Results - Constant 1995 lei

	1993	1994	1995	1996
<b>Recurring Revenues Total</b>	5,241,918	8,460,844	12,278,973	13,851,342
Of which				
<i>Local Taxes and Fees</i>	1,373,451	1,672,834	5,528,588	3,678,464
- <i>Shared National Tax Revenues</i>	2,637,452	6,094,088	4,590,139	7,235,263
- <i>State Operating Subsidies</i>	1,231,015	693,922	2,160,246	2,937,614
 <b>Operating Expenditures Total</b>	 5,405,916	 9,132,648	 12,417,349	 14,753,369
Of which				
- <i>General Administration</i>	209,095	320,871	556,610	493,814
- <i>Education</i>	0	0	1,880,596	3,065,647
<i>Health</i>	2,640,046	4,434,660	4,557,536	4,187,999
- <i>Culture &amp; Sports</i>	31,558	31,234	253,630	388,030
<i>Social Assistance</i>	84,481	197,125	499,009	760,430
<i>Public Works &amp; Housing</i>	2,440,736	2,790,205	4,200,188	5,369,662
<i>Transportation &amp; Communication</i>	0	1,357,856	444,859	453,739
<i>Other Economic Activities</i>	0	0	0	0
<i>Other Activities</i>	0	697	24,921	34,047
 <i>Interest Payments</i>	 0	 0	 0	 0
 <b>Recurring Surplus (Deficit)</b>	 (163,998)	 (671,804)	 (138,376)	 (902,027)
 <b>Non-recurring Operating Revenues Total</b>	 228,508	 353,217	 580,254	 304,973
Of which				
<i>Non recurring Local Operating Revenues</i>	228,508	353,217	580,254	304,973
 <b>Net Operating Surplus (Deficit)</b>	 64,510	 (318,586)	 441,878	 (597,054)

## Indicators

### Targoviste

	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>
<b>Capital Revenues Total</b>	2,718,796	4,710,953	7,629,243	7,029,013
Of which				
- Local Capital Revenues	919,635	830,172	373,001	1,615,393
- State Capital Subsidies	1,799,161	3,880,781	7,256,242	5,413,620
<b>Total Funds Available for Investments</b>	2,783,306	4,392,367	8,071,121	6,431,959
<b>Capital Expenditures Total by Chapter</b>	2,034,624	3,966,633	8,071,121	6,117,895
<i>General Administration</i>	20,358	0	171,864	10,171
<i>Education</i>	0	0	0	0
<i>Health</i>	0	0	0	0
<i>Culture &amp; Sports</i>	0	0	0	40,520
<i>Social Assistance</i>	3,292	994,802	479,944	178,822
<i>Public Works &amp; Housing</i>	2,010,975	2,916,910	6,049,059	5,177,502
<i>Transportation &amp; Communication</i>	0	54,922	1,364,000	708,400
- <i>Other Economic Activities</i>	0	0	0	0
- <i>Other Activities</i>	0	0	6,254	2,480
<b>Overall Surplus (Deficit)</b>	748,682	425,734	0	314,063

206

**Appendix III**  
**Detailed Financial Information on**  
**RAGC Targoviste**  
**Municipality of Targoviste**

**Net Cash Flow Analysis**  
Constant 1995 Lei

RAGC Targoviste	1994	1995	1996	1997	1998
Net Income	(1,342,551)	(122,596)	323,930	1,126,901	1,085,529
<i>Cash Flow from Operations</i>					
<b>Adjust Net Income to net cash provided by operating activities</b>					
Add back DEPRECIATION, AMORTIZATION, PROVISIONS	872,273	1 070,934	1,070 588	339,225	299,848
<b>Adjust for change in assets and liabilities</b>					
Add back increase in A/P and any other payable (including accrued liabilities and penalties)	3 267,932	5,858,734	2 637,714	4 248,224	3,442,969
Subtract increase in A/R and any other accrued receivable	(2,153,770)	(6,442,198)	(2,380,780)	(4,411,489)	(3 396,134)
Subtract increase in any of the INVENTORY	(237,979)	(1,161,268)	(371)	(580,819)	(290,595)
<b>Net Cash Flow from Operations</b>	<b>405,905</b>	<b>(796,393)</b>	<b>1,651,081</b>	<b>722,042</b>	<b>1,141,617</b>
<i>Cash Flow from Investments</i>					
-/+ (Purchase) / sales of PROPERTY PLANT AND EQUIPMENT					
-/+ (Purchase) / sale of other INVESTMENTS					
<b>Net Cash Flow from Investments</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<i>Cash Flow from Financing</i>					
Subtract increase in PREPAID EXPENSES	(84,929)	76,623	231,160		
Add increase in UNEARNED REVENUES	(187,252)	1,147	283,236		
Add increase in CREDITS & LOANS	(150,080)	0	0		
Subtract DIVIDENDS paid to the owner		0	(161,965)	(563,450)	(542,764)
<b>Net Cash Flow from Financing</b>	<b>(422,261)</b>	<b>77,770</b>	<b>352,431</b>	<b>(33,950)</b>	<b>343,293</b>
<b>Net Cash Flow for the Period</b>	<b>(16,356)</b>	<b>(718,624)</b>	<b>2,003,512</b>	<b>688,091</b>	<b>1,484,910</b>
<b>BEGINING Cash</b>	<b>1,169,679</b>	<b>1,153,323</b>	<b>434,700</b>	<b>2,801,090</b>	<b>3,489,181</b>
<b>ENDING Cash</b>	<b>1,153,323</b>	<b>434,700</b>	<b>2,801,090</b>	<b>3,489,181</b>	<b>4,974,091</b>

Data in thousand lei

2074



Profit and Loss

	TOTAL 1994	TOTAL 1995	TOTAL 1996	TOTAL 1997	TOTAL 1998
<b>FINANCIAL RESULTS RAGC Targoviste</b>	<b>1 34</b>	<b>1 00</b>	<b>0 67</b>	<b>0 36</b>	<b>0 33</b>
1 Revenues from goods (merchandise) sold	80 995	91 264	103 074	97 169	94 648
2 Revenues from Core Activity	10 552 993	17 055 590	17 687 110	17 371 350	18 550 954
3 Turnover	10 633 988	17 146 854	17 790 184	17 468 519	18 645 602
4 or <5> Inventories evaluated	335 196	480 000	536 132	508 066	831 910
6 Assets in Process evaluated	51 410	118 278	21 751	70 015	45 883
7 Total Production	10 939 599	17 653 868	18 244 993	17 949 430	19 428 747
8 Subventions for Core Activity	1 452 391	2 212 552	3 372 050	3 625 000	3 450 000
9 Other Revenues	2 361	27 784	15 537	21 660	17 840
10 <u>Rev from Provisions for Core Activity</u>					
<b>11 Total Revenues Core Activity</b>	<b>12 475 346</b>	<b>20 783 530</b>	<b>21 735 654</b>	<b>21 893 260</b>	<b>22 991 235</b>
12 Merchandise	79 116	91 756	97 023	94 389	90 340
13 Raw Materials	254 035	160 775	31 108		
14 Consumables	1 214 130	2 153 392	2 934 803		
15 Energy and Water	5 329 780	6 645 173	6 294 969		
16 Other Materials	49 111	196 315	78 743		
17 Total Materials	6 647 056	9 155 655	9 339 623	9 247 639	9 838 004
18 Other Costs	1 178 409	3 732 676	3 572 595	3 652 635	3 730 239
19 Taxes	180 426	565 336	397 390	481 363	438 162
20 Personnel	3 491 449	4 769 936	4 410 892		
21 Labor Burden	1 071 569	1 504 246	1 502 125		
22 Total Personnel	4 563 018	6 274 182	5 913 017	6 093 599	6 664 246
23 Other Operational Costs	99 248	32 365	405 187	218 776	371 576
24 <u>Depreciation for core activity</u>	<u>872 273</u>	<u>1 065 537</u>	<u>1 070 588</u>	<u>339 225</u>	<u>299 848</u>
<b>25 Total Costs for Core Activity</b>	<b>13 819 546</b>	<b>20 917 507</b>	<b>20 795 422</b>	<b>20 127 627</b>	<b>21 432 416</b>
26 or <27> <b>Profit or &lt;Loss&gt; Core Activity</b>	<b>(1 344 200)</b>	<b>(133 977)</b>	<b>940 232</b>	<b>1 765 633</b>	<b>1 558 819</b>
<b>34 Total Financial Revenues</b>	<b>84 423</b>	<b>78 160</b>	<b>73 547</b>	<b>75 854</b>	<b>82 417</b>
38 Interest Expense	96 518	691	703		
40 <u>Amortization / Provisions for Losses</u>					
<b>41 Total Financial Costs</b>	<b>96 582</b>	<b>902</b>	<b>4 370</b>	<b>2 290</b>	<b>6 097</b>
42 or <43> <b>Profit or &lt;Loss&gt; Financial Activity</b>	<b>(12 159)</b>	<b>77 259</b>	<b>69 176</b>	<b>73 563</b>	<b>76 320</b>
44 or <45> <b>Current Profit or &lt;Loss&gt;</b>	<b>(1 356 359)</b>	<b>(56 718)</b>	<b>1 009 409</b>	<b>1 839 196</b>	<b>1 635 139</b>
<b>46 Extraordinary Revenues</b>	<b>13 807</b>	<b>29 177</b>	<b>56 532</b>	<b>31 704</b>	<b>36 082</b>
account 671 + 672 Extraordinary Costs		88 544	543 473		
a/c 687 <u>Amortisation / Provisions for Ex Losses</u>		5 397			
<b>47 Extraordinary Costs Total</b>		<b>93 941</b>	<b>543 473</b>	<b>213 694</b>	<b>74 856</b>
48 or <49> <b>Extraordinary Profit or &lt;Loss&gt;</b>	<b>13 807</b>	<b>(64 764)</b>	<b>(486 941)</b>	<b>(181 989)</b>	<b>(38 774)</b>
52 or <53> <b>Gross Profit or &lt;Loss&gt;</b>	<b>(1 342 551)</b>	<b>(121 482)</b>	<b>522 468</b>	<b>1 657 207</b>	<b>1 596 366</b>
54 Income Tax			198 538	530 306	510 837
55 Prepaid Tax					
<b>56 or &lt;57&gt; Net Profit or &lt;Loss&gt;</b>	<b>(1 342 551)</b>	<b>(122 596)</b>	<b>323 930</b>	<b>1 126 901</b>	<b>1 085 529</b>

Data in thousand lei

209

## Financial Ratios

RAGC Targoviste	1994	1995	1996	1997	1998
<b><u>Vulnerability</u></b>					
Subsidies cover of CF from Operations	100 0%	neg CF	100 0%	100 0%	100 0%
Subsidies cover of Payroll	31 8%	35 3%	57 0%	62 8%	51 8%
w/out labor burden	41 6%	46 4%	76 4%	89 7%	74 0%
Net CF from Ops as % of Payroll	8 9%	neg CF	27 9%	11 8%	17 1%
w/out labor burden	11 6%	8 5%	37 4%	16 9%	24 5%
Net CF from Ops as % of Energy and Water	7 6%	neg CF	26 2%	7 8%	11 6%
<b><u>Profitability</u></b>					
* Operating Profit Margin	-10 8%	-0 6%	4 3%	8 1%	6 8%
* Gross Margin	-10 8%	-0 6%	2 4%	7 6%	6 9%
<b><u>Leverage</u></b>					
* debt to assets	6 5%	12 2%	14 0%	19 4%	25 8%
w/out A/C Rec	6 8%	13 8%	15 4%	22 7%	32 4%
* debt to revenues ( core activ)	50 5%	53 0%	38 5%	30 8%	39 5%
w/out subsidies	57 1%	61 8%	45 6%	37 4%	46 4%
* net CF % of TOTAL LIABILITIES	neg CF	8 9%	2 1%	0 0%	neg CF
<b><u>Liquidity</u></b>					
* current ratio	102 3%	113 0%	101 4%	126 3%	133 0%
<b><u>Turns (days)</u></b>					
	360				
* collection period	158	219	115	106	137
* days sales in cash	23	2	46	56	78
* payable period	151	160	145	121	152
<b><u>Others</u></b>					
*energy & water % of total costs	38 6%	31 8%	30 3%	45 9%	45 9%
* sal % of total costs	25 3%	22 8%	21 2%	30 3%	31 1%
* subsidies % of total costs	10 5%	10 6%	16 2%	19 0%	16 1%
* subsidies % of turnover	13 7%	12 9%	19 0%	21 9%	18 5%

**Financial Profile  
of the  
Judet of Maramures**

**For the period from  
1994 to 1995**

March 1997

**Prepared Under Contract  
with the  
United States Agency for International Development**

By  
The Urban Institute  
2100 M Street  
Washington, D C

East European Regional Housing Sector Assistance Project  
Project 180-0034  
U S Agency for International Development, ENI/EEUD/UDH  
Contract No EPE-0034-C-00-5110-00, RFS No 804

## Introduction

USAID and the EBRD have been cooperating with the Government of Romania in the early development of a work plan to assist in creating a Municipal Credit Facility (MCF) that would lend to general purpose local governments (*judets* and municipalities), as well as local service enterprises (*regii*) to finance investments in infrastructure. The initial phase of that work plan involves an assessment of the existing legal and policy framework as it affects the stability of intergovernmental transfers and the ability of local governments to manage their own finances and to borrow. It also includes an analysis of the current financial condition of general purpose local governments in four urban regions to assess the credit worthiness of municipalities and *judets*, as potential borrowers from the MCF.

This Financial Profile of the *Judet* of Maramures was prepared as part of a broader analysis of the financial condition and financial management capacity of a municipality and a *judet* in each of four urban regions in Romania (Maramures, Constanța, Dâmbovița and Maramureș), as well as that of the corresponding *regii* that provide water, waste water, transport, solid waste and heating services in those regions. The analysis will contribute to an understanding of the issues that might constrain the participation of municipalities in the MCF.

The analysis looks at the financial condition of the *Judet* of Maramures, based on the actual results for the period from 1993 to 1995. The final section of the analysis attempts to look at the future financial condition of Maramures through the year 2001, although such projections should be considered as illustrative given the current state of flux of laws and regulations governing local government finances in Romania.

## Overall Results

The overall financial results of the *Judet* of Maramures for the period from 1994 to 1995, as shown in Table 1, are positive. In both years, the overall results show a surplus.

However, these results by themselves reveal little else about the finances of the *Judet* of Maramures. The following sections of this Financial Profile will attempt to provide greater insights into the financial condition of the *Judet*.

	1994	1995
Total Revenues	39,622,348	66,705,970
Total Expenditures	39,273,670	65,302,888
<b>Overall Surplus (Deficit)</b>	<b>348,678</b>	<b>1,403,082</b>

## Net Operating Results

This section of the analysis looks at net operating results. This is different than the overall surplus or deficit, shown above, which *judets* and municipalities currently calculate. That analysis looks at the difference between all revenues and all expenditures. Net operating results look only at the difference between non-investment (or operating) expenditures and non-capital (or operating) revenues.

The calculation uses the standard income and expense data reported by judets and municipalities in Annexes 12 and 14 of their quarterly and annual financial statements. These forms include all revenues and expenditures by line item for any given year, including budget and actual information. The calculation of the net operating results first requires identifying and classifying those expenditures related to the cost of administering the Judet or of providing local services. This includes as well any subsidies or transfers to other organizations, such as the *regii*, to pay for similar costs. These are the *operating expenditures* of the Judet. The second step is to isolate those revenues that are available on a continuing basis to pay for operating expenditures. These *operating revenues* include all local taxes and fees, shared national tax revenues and any operating subsidies provided by the state. They do not include non-fiscal revenues, such as the proceeds of loans or of the sale of assets, or those revenues provided by the state specifically to pay for investments. Appendix 1 explains the calculation of operating expenditures and revenues using the data available in Annexes 12 and 14 of the standard financial reports.

The net operating results of the Judet are determined by subtracting its total operating expenditures from its total operating revenues. This will produce

- A net operating surplus when recurring revenues are greater than operating expenditures
- A net operating deficit when operating expenditures are greater than recurring revenues

This is a significant result. Should the Judet want to enter into a loan or issue bonds, the operating surplus will be the amount available to pay the maturing principal and interest payments on the debt. It will largely determine the maximum amount the Judet *can* borrow. A Judet that has a current net operating deficit has no free operating revenues available for debt service. It should not consider entering into any new loans until it has taken steps to identify and address the causes of the problem.

The net operating results of the Judet of Maramures for the period from 1994 to 1995 follow the trend of the overall results. Since the net operating surplus was greater than the overall surplus, this means that investment expenditures were greater than the revenues earmarked for investment.

An analysis of the net operating results in constant 1995 lei, as shown in Table 2, below, reveals a good balance between operating revenues and expenditures.

<b>Table 2</b>		
<b>Net Operating Results</b>		
Constant 1995 Lei - Thousands		
	1994	1995
Operating Revenues	33,680,896	47,839,286
Operating Expenditures	31,696,864	45,322,565
<b>Operating Surplus (Deficit)</b>	<b>1,984,032</b>	<b>2,516,721</b>

### Revenue Trends

This section of the analysis looks at how the revenues of the Judet of Maramures have changed over the period from 1994 to 1995. As shown in Table 3, below, revenues increased by 35% in 1995, as a result of an increase in shared national tax revenues and local taxes and fees.

<b>Table 3</b>		
<b>Value of Revenues</b>		
Constant 1995 Lei - Thousands		
	1994	1995
Local Taxes & Fees	4,572,425	11,622,740
Shared National Taxes	26,020,282	31,357,300
State Operating Subsidies	3,088,190	4,859,246
<b>Total Operating Revenues</b>	<b>33,680,897</b>	<b>47,839,286</b>
Own Capital Revenues	957,857	833,030
State Capital Subsidies	15,998,607	18,033,654
<b>Total Capital Revenues</b>	<b>16,956,464</b>	<b>18,866,684</b>
<b>Total Revenues</b>	<b>50,637,361</b>	<b>66,705,970</b>

During the same period, as shown in Table 4, below, the composition of the operating revenues of the Judet of Maramures, that is, those revenues that are most critical to an evaluation of the borrowing capacity of the Judet, has changed. Although shared national taxes still constitute the main share of the revenues, their weight decreased, while the weight of local taxes and fees grew.

<b>Table 4</b> <b>Composition of Operating Revenues</b> Percent of Total		
	1994	1995
Local Taxes & Fees	13 58%	24 30%
Shared National Taxes	77 26%	65 55%
State Operating Subsidies	9 17%	10 16%

### Expenditure Trends

This section of the analysis looks at how the expenditures of the Judet of Maramures have evolved over the period from 1994 to 1995. As shown in Table 5, below, the volume of expenditures in constant 1995 lei increased considerably in the areas of education and social assistance. General administration and public works also saw an increase. During this period, the judet assumed management of the ambulance service which caused an increase in its health expenditures. All other areas maintained the same level of expenditures in real terms.

<b>Table 5</b> <b>Per Capita Operating Expenditures</b> <b>by Chapter</b> Constant 1995 Lei - Thousands		
Chapter	1994	1995
General Administration	6 37	9 29
Education	0 00	14 17
Health	18 12	20 19
Culture and Art	5 00	4 88
Social Assistance	4 00	8 94
Public Works and Housing	10 47	14 17
Transportation and Communication	12 22	11 83
Other Economic Activities	0 00	0 00
Other Activities	0 78	0 84

### Debt

The Judet of Maramures has borrowed only once. In 1995 the judet obtained 150,000 million lei as a short term loan and repaid the loan in the same year.

The Judet is not currently contemplating any future loans.

214

**Projections**

Table 6 shows the future net operating results for the Judet of Maramures as projected to the year 2001, based on current revenue and expenditure trends. The table shows that the Judet will have a large surplus until 2001. This surplus can be considered optimistic because future expenditures will vary unpredictably with new prices.



**Table 6  
Projections - Current Trends**

**Maramures**

**Actual and Projected Cash Flow**

**Current Trends - Constant 1995 Lei**

	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>
<b>Recurring Revenues Total</b>	33 205 100	46 552,692	73 138 623	96 414 969	119 691 315	142 967 661	166 244 007	189 520 353
Of which								
<i>Local Taxes and Fees</i>	4 096 628	10 336 146	15,147 071	20,315,144	25 483 217	30 651 290	35 819 363	40 987 436
- <i>Shared National Tax Revenues</i>	26 020 282	31 357 300	50 483 161	66 161,811	81 840 461	97,519 111	113,197 761	128 876 411
- <i>State Operating Subsidies</i>	3 088 190	4 859 246	7 508 391	9 938 014	12 367 637	14,797 260	17 226 883	19 656 506
<b>Operating Expenditures Total</b>	31 696 864	45 322 565	70 995 708	93 656 990	116 318 273	138 979 555	161 640 838	184 302 120
Of which								
<i>General Administration</i>	4 391 580	4 993 215	8,121 480	10 618 087	13 114,695	15 611 302	18 107 910	20 604 517
- <i>Education</i>	0	7 615 437	10,153 916	13 961 635	17 769 353	21 577 072	25 384 790	29 192 509
<i>Health</i>	9 781 441	10 851 943	17,729 738	23,155 709	28 581 681	34 007 652	39 433 624	44 859 595
<i>Culture &amp; Sports</i>	2 697,694	2 626 427	4 401 134	5 714,348	7 027 561	8 340 775	9 653 988	10 967 202
- <i>Social Assistance</i>	2 159 986	4 806 464	7 128 614	9 531 846	11 935 078	14,338 310	16 741,542	19 144 774
<i>Public Works &amp; Housing</i>	5 649 978	7 616 537	12 038 709	15 846 977	19 655 246	23 463 514	27 271 783	31 080 051
<i>Transportation &amp; Communication</i>	6 596 990	6 359 509	10 678 342	13 858 096	17 037 851	20 217 605	23 397 360	26 577 114
<i>Other Economic Activities</i>	0	0	0	0	0	0	0	0
<i>Other Activities</i>	419 194	453 033	743 775	970 292	1 196 808	1 423 325	1 649 841	1 876 358
<i>Interest Payments</i>	0	0	0	0	0	0	0	0
	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>
<b>Recurring Surplus (Deficit)</b>	1 508 236	1 230 127	2 142 915	2 757 978	3 373 042	3 988 105	4 603 169	5 218 232
<b>Non-recurring Operating Revenues</b>	475 797	1 286 594	1 874 058	2 517 355	3 160 652	3 803 949	4 447 246	5 090 543
Of which								
<i>Non recurring Local Operating Revenues</i>	475 797	1 286 594	1 874 058	2 517 355	3 160 652	3 803 949	4 447 246	5 090 543
<b>Net Operating Surplus (Deficit)</b>	1 984 032	2 516 721	4 016 972	5 275 333	6 533 693	7 792 054	9 050,414	10 308 775

## APPENDIX I - DEFINITIONS

1996 Code	Category/Sub Category
	<b>Recurring Revenues</b>
	of which
	Local Taxes and Fees
	Shared National Salary Tax Revenues
	State Operating Subsidies
	<b>Local Taxes and Fees</b>
	of which
01 02	Taxes on Profits of Regii
03 02	Taxes and Fees on Individuals
04 02	Fees for Use of State Property
05 02	Corporate Property Tax
06 02	Corporate Vehicle Fees
07 02	Tax on Revenues from Agriculture
08 02	Other Direct Taxes
17 02	Other Indirect Taxes
	<b>Shared National Tax Revenues</b>
	of which
34 02	Shared National Salary Tax Revenues
	<b>State Operating Subsidies</b>
	of which
37 02 01	Subsidies for Social Assistance, Heating & Public Transport
	<b>Non-Recurring Revenues</b>
	of which
	Non-Recurring Local Operating Revenues
	Local Capital Revenues
	Other Capital Revenues
	<b>Non-Recurring Local Operating Revenues</b>
	of which
15 02	Entertainment Fees
20 02	Distribution from Profits of Regii
21 02	Revenues from Public Institutions
22 02	Other Various Revenues
40 02	Donations
	<b>Local Capital Revenues</b>
	of which
30 02	Proceeds from the Sale of Public Property & Housing
45 02	Proceeds of Short-term Loans
	<b>Other Capital Revenues</b>
	of which
37 02 02	State Capital Investment Subsidies
37 02 03	Capital Investment Subsidies from External Loans
46 02	Proceeds of Loans from Revolving Funds

**Appendix II**

**Detailed Financial Information on the  
Judet of Maramures**

**Standard Data Set**

<b>Maramures</b>				
<b>Line Revenues - Actual at Year End</b>	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>
<b>0 Total Revenues</b>	0	39 622,348	66,705 970	0
Change in Total Revenues (current year/previous year)		#DIV/0!	1 68	0 00
<b>1 Local Taxes and Fees Recurring</b>	0	3 205 499	10 336,146	0
<b>2 Non Recurring Local Operating Revenues</b>	0	372 298	1,286 594	0
<b>3 Local Capital Revenues</b>	0	749 497	833 030	0
<b>4 Of which Proceeds from the sale of public property</b>	0	13 628	8 119	0
<b>5 Shared National Tax Revenues</b>	0	20 360 158	31 357 300	0
<b>6 State Operating Subsidies</b>	0	2 416 424	4,859 246	0
<b>7 Other Capital Revenues</b>	0	12 518 472	18 033 654	0
<b>8 Total Recurring Revenues (Line 1+5+6)</b>	0	25 982 081	46 552 692	0
Change in Recurring Revenues (current year/previous year)		#DIV/0!	1 79	0 00
<b>9 Total Non Recurring Revenues (Line 2+3+7)</b>	0	13 640 267	20 153,278	0
	0	39 622 348	66 705 970	0
<b>10 Verify Line 0 = Sum (Line 8+9)</b>	OK	OK	OK	OK
<b>Revenues - Initial Approved Budget</b>	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>
<b>11 Total Revenue Budget</b>	0	40 007 299	66 653 266	0
<b>12 Local Revenues and Fees</b>	0	3,158 890	10 213 630	0
<b>13 Shared National Tax Revenues</b>	0	20 378,500	31 357 300	0
<b>14 State Operating Subsidies</b>	0	2 921 200	5 050 500	0
<b>15 Recurring Revenue Budget (Line 12+13+14)</b>	0	26 458,590	46 621 430	0

219

**Standard Data Set**

<b>Maramures</b>				
<b>Expenditures - Actual at Year End</b>	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>
16 Administrative Expenses General Administration	0	3 436 291	4 993 215	0
17 Subsidies and Transfers General Administration	0	0	0	0
18 Capital Expenditures General Administration	0	583 913	210 883	0
19 Administrative Expenses Education	0	0	7 615 437	0
20 Subsidies and Transfers Education	0	0	0	0
21 Capital Expenditures Education	0	0	0	0
22 Administrative Expenses Health	0	7 653 710	10 851,943	0
23 Subsidies and Transfers Health	0	0	0	0
24 Capital Expenditures Health	0	0	0	0
25 Administrative Expenses Culture & Sports	0	1 164 496	615 040	0
26 Subsidies and Transfers Culture & Sports	0	946 376	2 011 387	0
27 Capital Expenditures Culture & Sports	0	512 234	523 461	0
28 Administrative Expenses Social Assistance	0	1,690 130	2 441 760	0
29 Subsidies and Transfers Social Assistance	0	0	2 364 704	0
30 Capital Expenditures Social Assistance	0	133 476	123 778	0
31 Administrative Expenses Public Works & Housing	0	3 354 867	4 425 001	0
32 Subsidies and Transfers Public Works & Housing	0	1 066 086	3 191 536	0
33 Capital Expenditures Public Works & Housing	0	8 703 017	11 131 846	0
34 Administrative Expenses Transportation & Communication	0	3 811 626	155 295	0
35 Subsidies and Transfers Transportation & Communication	0	1 350 338	6 204 214	0
36 Capital Expenditures Transportation & Communication	0	4 500 472	7 717 686	0
37 Administrative Expenses Other Economic Activities	0	0	0	0
38 Subsidies and Transfers Other Economic Activities	0	0	0	0
39 Capital Expenditures Other Economic Activities	0	0	0	0
40 Administrative Expenses Other Activities	0	328 008	453 033	0
41 Subsidies and Transfers Other Activities	0	0	0	0
42 Capital Expenditures Other Activities	0	38 630	122 669	0
<b>Operating Expenditures by Chapter</b>				
43 General Administration Oper Exp (Line 16+17)	0	3 436 291	4 993,215	0
44 Education Oper Exp (Line 19+20)	0	0	7 615 437	0
45 Health Oper Exp (Line 22+23)	0	7 653 710	10 851 943	0
46 Culture & Sports Oper Exp (Line 25+26)	0	2 110 872	2 626 427	0
47 Social Assistance Oper Exp (Line 28+29)	0	1 690 130	4 806 464	0
48 Public Works & Housing Oper Exp (Line 31+32)	0	4 420 953	7 616 537	0
49 Transportation & Communication Oper Exp (Line 34+35)	0	5 161 964	6 359 509	0
50 Other Economic Activities Oper Exp (Line 37+38)	0	0	0	0
51 Other Activities Oper Exp (Line 40+41)	0	328 008	453 033	0

220

Standard Data Set

Maramures

Expenditures - Actual at Year End	1993	1994	1995	1996
52 Total Operating Expenditures (Line 53+54+55)	0	24 801,928	45 322,565	0
Of which Change in Operating Expenditures (current year/previous year)		#DIV/0!	1 83	0 00
53 Total Administrative Expenses (Line 16+19+22+25+28+31+34+37+40)	0	21 439 128	31 550 724	0
54 Total Subsidies & Transfers (Line 17+20+23+26+29+32+35+38+41)	0	3 362 800	13 771 841	0
55 Interest Payments	0	0	0	0
56 Total Capital Expenditures (Line 18+21+24+27+30+33+36+39+42)	0	14 471 742	19 830 323	0
57 Other Payments (Line 58+59+60)	0	0	150 000	0
Of which				
58 Principal Repayments	0	0	150 000	0
59 Set Aside for Reserves	0	0	0	0
60 Distribution of Surplus	0	0	0	0
61 Total Annual Debt Service (Principal+Interest Payments)	0	0	150,000	0
62 Total Expenditures	0	39 273 670	65 302 888	0
	0	39 273 670	65 302 888	0
63 Verify Line 62 = Sum (Line 52+56+57)	OK	OK	OK	OK
Expenditures - Initial Approved Budget	1993	1994	1995	1996
64 Operating Expenditure Budget	0	31,435 734	0	0
65 Capital Expenditure Budget	0	14 571 565	0	0
Other Non-Financial Data				
66 Total Local Government Employees (Municipal or Judet)	0	158	158	162
67 Total Population (Municipality or Judet)	0	539 718	537 477	535 124
68 Year to Year Inflation	296 0%	62 7%	27 8%	56 9%
69 Deflator (Base Year = 1995)	2 08	1 28	1 00	0 64

## Indicators

### Maramures

#### Financial Performance Indicators

	1993	1994	1995	1996
<i>Key Revenue Indicators</i>				
1 - Recurring Revenues/Total Revenues	#DIV/0!	0 66	0 70	#DIV/0!
2 - Shared National Tax Revenues/Recurring Revenues	#DIV/0!	0 78	0 67	#DIV/0!
3 - State Operating Subsidies/Recurring Revenues	#DIV/0!	0 09	0 10	#DIV/0!
4 - Local Taxes & Fees/Recurring Revenues	#DIV/0!	0 12	0 22	#DIV/0!
5 - Proceeds from Asset Sales/Total Revenues	#DIV/0!	0 00	0 00	#DIV/0!
<i>Key Expenditure Indicators</i>				
6 - Total Expenditures Per Capita (1000 lei)	#DIV/0!	72 77	121 50	0 00
7 - Operating Expenditures Per Capita (1000 lei)	#DIV/0!	45 95	84 32	0 00
8 - Operating Expenditures/Total Expenditures	#DIV/0!	0 63	0 69	#DIV/0!
9 - Capital Expenditures/Total Expenditures	#DIV/0!	0 37	0 30	#DIV/0!
<i>Key Indicators of Net Results</i>				
10 - Total Expenditures/Total Revenues	#DIV/0!	0 99	0 98	#DIV/0!
11 - Operating Expenditures/Recurring Revenues	#DIV/0!	0 95	0 97	#DIV/0!
12 - Recurring Surplus/Shared National Tax Revenues	#DIV/0!	0 06	0 04	#DIV/0!
13 - Recurring Surplus/Local Taxes & Fees	#DIV/0!	0 37	0 12	#DIV/0!
<i>Key Actual to Budget Performance Indicators</i>				
14 - Actual Revenues/Initial Revenue Budget	#DIV/0!	0 99	1 00	#DIV/0!
15 - Actual Recurring Revenues/Initial Recurring Revenue Budget	#DIV/0!	0 98	1 00	#DIV/0!
16 - Actual Local Taxes and Fees/Local Taxes and Fees Budget	#DIV/0!	1 01	1 01	#DIV/0!
17 - Actual Shared National Tax Revenues/National Tax Budget	#DIV/0!	1 00	1 00	#DIV/0!
18 - Actual Expenditures/Initial Expenditure Budget	#DIV/0!	0 85	#DIV/0!	#DIV/0!
19 - Actual Operating Expenditures/Initial Operating Expenditure Budget	#DIV/0!	0 79	#DIV/0!	#DIV/0!
20 - Actual Capital Expenditures/Initial Capital Expenditure Budget	#DIV/0!	0 99	#DIV/0!	#DIV/0!

222

## Indicators

### Maramures

<i>Key Relative Performance Indicators</i>	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>
21 <i>Change in Recurring Revenues /Change in Total Revenues</i>	n/a	#DIV/0!	1 06	#DIV/0!
22 <i>Change in Operating Expenditures/Change in Recurring Revenues</i>	n/a	#DIV/0!	1 02	#DIV/0!
 <i>Key Debt Service Indicators</i>				
23 - <i>Total Annual Debt Service/Recurring Revenues</i>	#DIV/0!	0 00	0 00	#DIV/0!
24 - <i>Interest Payments/Recurring Revenues</i>	#DIV/0!	0 00	0 00	#DIV/0!
25 <i>Total Annual Debt Service/Recurring Surplus before Interest Payments</i>	#DIV/0!	0 00	0 12	#DIV/0!
26 <i>Max Future Debt Service/Recurring Surplus before Interest Payments</i>	#DIV/0!	15 99	0 00	#DIV/0!
 <i>Operating Expenditure Indicators by Chapter (1000 lei)</i>				
27 <i>General Administration Expenditures/Per Capita</i>	#DIV/0!	6 37	9 29	0 00
28 <i>Education Expenditures/Per Capita</i>	#DIV/0!	0 00	14 17	0 00
29 <i>Health Expenditures/Per Capita</i>	#DIV/0!	14 18	20 19	0 00
30 - <i>Culture &amp; Sports Expenditures/Per Capita</i>	#DIV/0!	3 91	4 89	0 00
31 <i>Social Assistance Expenditures/Per Capita</i>	#DIV/0!	3 13	8 94	0 00
32 <i>Public Works &amp; Housing Expenditures/Per Capita</i>	#DIV/0!	8 19	14 17	0 00
33 <i>Transportation Expenditures/Per Capita</i>	#DIV/0!	9 56	11 83	0 00
34 - <i>Other Economic Expenditures/Per Capita</i>	#DIV/0!	0 00	0 00	0 00
35 <i>Other Expenditures/Per Capita</i>	#DIV/0!	0 61	0 84	0 00
 <i>Operating Expenditure Indicators by Chapter (Constant 1995, 1000 Lei)</i>				
	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>
36 <i>General Administration Expenditures/Per Capita</i>	#DIV/0!	8 14	9 29	0 00
37 <i>Education Expenditures/Per Capita</i>	#DIV/0!	0 00	14 17	0 00
38 - <i>Health Expenditures/Per Capita</i>	#DIV/0!	18 12	20 19	0 00
39 <i>Culture &amp; Sports Expenditures/Per Capita</i>	#DIV/0!	5 00	4 89	0 00
40 <i>Social Assistance Expenditures/Per Capita</i>	#DIV/0!	4 00	8 94	0 00
41 <i>Public Works &amp; Housing Expenditures/Per Capita</i>	#DIV/0!	10 47	14 17	0 00
42 <i>Transportation Expenditures/Per Capita</i>	#DIV/0!	12 22	11 83	0 00
43 <i>Other Economic Expenditures/Per Capita</i>	#DIV/0!	0 00	0 00	0 00
44 <i>Other Expenditures/Per Capita</i>	#DIV/0!	0 78	0 84	0 00

223



## Indicators

### Maramures

<b>Actual Net Operating Results</b>	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>
<b>Recurring Revenues Total</b>	0	25,982,081	46,552,692	0
Of which				
- <i>Local Taxes and Fees</i>	0	3,205,499	10,336,146	0
- <i>Shared National Tax Revenues</i>	0	20,360,158	31,357,300	0
- <i>State Operating Subsidies</i>	0	2,416,424	4,859,246	0
<b>Operating Expenditures Total</b>	0	24,801,928	45,322,565	0
Of which				
- <i>General Administration</i>	0	3,436,291	4,993,215	0
- <i>Education</i>	0	0	7,615,437	0
- <i>Health</i>	0	7,653,710	10,851,943	0
- <i>Culture &amp; Sports</i>	0	2,110,872	2,626,427	0
- <i>Social Assistance</i>	0	1,690,130	4,806,464	0
- <i>Public Works &amp; Housing</i>	0	4,420,953	7,616,537	0
- <i>Transportation &amp; Communication</i>	0	5,161,964	6,359,509	0
- <i>Other Economic Activities</i>	0	0	0	0
- <i>Other Activities</i>	0	328,008	453,033	0
<i>Interest Payments</i>	0	0	0	0
<b>Recurring Surplus (Deficit)</b>	0	1,180,153	1,230,127	0
<b>Non-recurring Operating Revenues Total</b>	0	372,298	1,286,594	0
Of which				
- <i>Non recurring Local Operating Revenues</i>	0	372,298	1,286,594	0
<b>Net Operating Surplus (Deficit)</b>	0	1,552,451	2,516,721	0

## Indicators

### Maramures

	1993	1994	1995	1996
<b>Capital Revenues Total</b>	0	13,267,969	18,866,684	0
Of which				
Local Capital Revenues	0	749,497	833,030	0
State Capital Subsidies	0	12,518,472	18,033,654	0
<b>Total Funds Available for Investments</b>	0	14,820,420	21,383,405	0
<b>Capital Expenditures Total by Chapter</b>	0	14,471,742	19,830,323	0
<i>General Administration</i>	0	583,913	210,883	0
<i>Education</i>	0	0	0	0
<i>Health</i>	0	0	0	0
<i>Culture &amp; Sports</i>	0	512,234	523,461	0
<i>Social Assistance</i>	0	133,476	123,778	0
<i>Public Works &amp; Housing</i>	0	8,703,017	11,131,846	0
<i>Transportation &amp; Communication</i>	0	4,500,472	7,717,686	0
<i>Other Economic Activities</i>	0	0	0	0
<i>Other Activities</i>	0	38,630	122,669	0
<b>Overall Surplus (Deficit)</b>	0	348,678	1,553,082	0
<b>Minus Other Payments Total</b>	0	0	150,000	0
Of which				
<i>Principal Repayments</i>	0	0	150,000	0
<i>Set Aside for Reserves</i>	0	0	0	0
<i>Distribution of Surplus</i>	0	0	0	0
Verify Overall Surplus (Deficit) minus Other Payments = 0	OK	Error	Error	OK

225

## Indicators

### Maramures

#### Actual Net Operating Results - Constant 1995 lei

	1993	1994	1995	1996
<b>Recurring Revenues Total</b>	0	33,205,100	46,552,692	0
Of which				
- <i>Local Taxes and Fees</i>	0	4,096,628	10,336,146	0
- <i>Shared National Tax Revenues</i>	0	26,020,282	31,357,300	0
- <i>State Operating Subsidies</i>	0	3,088,190	4,859,246	0
<b>Operating Expenditures Total</b>	0	31,696,864	45,322,565	0
Of which				
- <i>General Administration</i>	0	4,391,580	4,993,215	0
- <i>Education</i>	0	0	7,615,437	0
- <i>Health</i>	0	9,781,441	10,851,943	0
- <i>Culture &amp; Sports</i>	0	2,697,694	2,626,427	0
- <i>Social Assistance</i>	0	2,159,986	4,806,464	0
- <i>Public Works &amp; Housing</i>	0	5,649,978	7,616,537	0
- <i>Transportation &amp; Communication</i>	0	6,596,990	6,359,509	0
- <i>Other Economic Activities</i>	0	0	0	0
- <i>Other Activities</i>	0	419,194	453,033	0
<i>Interest Payments</i>	0	0	0	0
<b>Recurring Surplus (Deficit)</b>	0	1,508,236	1,230,127	0
<b>Non-recurring Operating Revenues Total</b>	0	475,797	1,286,594	0
Of which				
- <i>Non recurring Local Operating Revenues</i>	0	475,797	1,286,594	0
<b>Net Operating Surplus (Deficit)</b>	0	1,984,032	2,516,721	0

## Indicators

### Maramures

	1993	1994	1995	1996
<b>Capital Revenues Total</b>	0	16,956,464	18,866,684	0
Of which				
Local Capital Revenues	0	957,857	833,030	0
- State Capital Subsidies	0	15,998,607	18,033,654	0
<b>Total Funds Available for Investments</b>	0	18,940,497	21,383,405	0
<b>Capital Expenditures Total by Chapter</b>	0	18,494,886	19,830,323	0
<i>General Administration</i>	0	746,241	210,883	0
<i>Education</i>	0	0	0	0
- <i>Health</i>	0	0	0	0
<i>Culture &amp; Sports</i>	0	654,635	523,461	0
<i>Social Assistance</i>	0	170,582	123,778	0
<i>Public Works &amp; Housing</i>	0	11,122,456	11,131,846	0
<i>Transportation &amp; Communication</i>	0	5,751,603	7,717,686	0
<i>Other Economic Activities</i>	0	0	0	0
<i>Other Activities</i>	0	49,369	122,669	0
<b>Overall Surplus (Deficit)</b>	0	445,610	1,553,082	0

**Financial Profile  
of the  
Municipality of Baia Mare**

**For the period from  
1993 to 1996**

March 1997

**Prepared Under Contract  
with the  
United States Agency for International Development**

**By  
The Urban Institute  
2100 M Street  
Washington, D C**

**East European Regional Housing Sector Assistance Project  
Project 180-0034  
U S Agency for International Development, ENI/EEUD/UDH  
Contract No EPE-0034-C-00-5110-00, RFS No 804**

## Introduction

USAID and the EBRD have been cooperating with the Government of Romania in the early development of a work plan to assist in creating a Municipal Credit Facility (MCF) that would lend to general purpose local governments (*judets* and municipalities), as well as local service enterprises (*regii*) to finance investments in infrastructure. The initial phase of that work plan involves an assessment of the existing legal and policy framework as it affects the stability of intergovernmental transfers and the ability of local governments to manage their own finances and to borrow. It also includes an analysis of the current financial condition of general purpose local governments in four urban regions to assess the credit worthiness of municipalities and *judets*, as potential borrowers from the MCF.

This Financial Profile of the Municipality of Baia Mare was prepared as part of a broader analysis of the financial condition and financial management capacity of a municipality and a *judet* in each of four urban regions in Romania (Bihor, Constanța, Dâmbovița and Maramureș), as well as that of the corresponding *regii* that provide water, waste water, transport, solid waste and heating services in those regions. The analysis will contribute to an understanding of the issues that might constrain the participation of municipalities in the MCF.

The first part of the analysis looks at the financial condition of the Municipality of Baia Mare, based on the actual results for the period from 1993 to 1996. It also attempts to look at the future financial condition of Baia Mare through the year 2001, although such projections should be considered as illustrative given the current state of flux of laws and regulations governing local government finances in Romania. The second part of the analysis looks at the financial management practices of the municipality. The final part of the analysis looks at the financial condition of the *regii* that provide local infrastructure services in Baia Mare.

## A. FINANCIAL ANALYSIS

### Overall Results

The overall financial results of the Municipality of Baia Mare for the period from 1993 to 1996, as shown in Table 1, are quite stable, with moderate surpluses from 1993 to 1995 and a balanced budget in 1996.

However, these results by themselves reveal little else about the finances of the Municipality of Baia Mare. The following sections of this Financial Profile will attempt to provide greater insights into the financial condition of the Municipality.

	1993	1994	1995	1996
Total Revenues	4,903,970	9,320,039	23,750,539	33,662,955
Total Expenditures	4,858,099	9,301,708	23,650,868	33,662,955
<b>Overall Surplus (Deficit)</b>	<b>45,871</b>	<b>18,331</b>	<b>99,671</b>	<b>0</b>

### Net Operating Results

This section of the analysis looks at net operating results. This is different than the overall surplus or deficit, shown above, which judets and municipalities currently calculate. That analysis looks at the difference between all revenues and all expenditures. Net operating results look only at the difference between non-investment (or operating) expenditures and non-capital (or operating) revenues.

The calculation uses the standard income and expense data reported by judets and municipalities in Annexes 12 and 14 of their quarterly and annual financial statements. These forms include all revenues and expenditures by line item for any given year, including budget and actual information. The calculation of the net operating results first requires identifying and classifying those expenditures related to the cost of administering the Municipality or of providing local services. This includes as well any subsidies or transfers to other organizations, such as the *regii*, to pay for similar costs. These are the *operating expenditures* of the Municipality. The second step is to isolate those revenues that are available on a continuing basis to pay for operating expenditures. These *operating revenues* include all local taxes and fees, shared national tax revenues and any operating subsidies provided by the state. They do not include non-fiscal revenues, such as the proceeds of loans or of the sale of assets, or those revenues provided by the state specifically to pay for investments. Appendix 1 explains the calculation of operating expenditures and revenues using the data available in Annexes 12 and 14 of the standard financial reports.

The net operating results of the Municipality are determined by subtracting its total operating expenditures from its total operating revenues. This will produce

- A net operating surplus when recurring revenues are greater than operating expenditures
- A net operating deficit when operating expenditures are greater than recurring revenues

This is a significant result. Should the Municipality want to enter into a loan or issue bonds, the operating surplus will be the amount available to pay the maturing principal and interest payments on the debt. It will largely determine the maximum amount the Municipality *can* borrow. A Municipality that has a current net operating deficit has no free operating revenues available for debt service. It should not consider entering into any new loans until it has taken steps to identify and address the causes of the problem.

The net operating results of the Municipality of Baia Mare for the period from 1993 to 1996 show the City has experienced both moderate deficits and surpluses.

An analysis of the net operating results in constant 1995 lei, as shown in Table 2, below, fails to reveal a pattern. It is not clear whether the 1996 deficit was an anomaly or the beginning of possible problems. Operating revenues decreased in real terms in 1996. There was no corresponding adjustment in the level of expenditures.

<b>Table 2</b>				
<b>Net Operating Results</b>				
Constant 1995 Lei - Thousands				
	1993	1994	1995	1996
Operating Revenues	8,369,373	8,663,376	17,812,595	17,084,555
Operating Expenditures	8,809,699	8,624,102	17,518,008	17,584,418
<b>Operating Surplus (Deficit)</b>	<b>(440,326)</b>	<b>39,274</b>	<b>294,587</b>	<b>(499,863)</b>

### Revenue Trends

This section of the analysis looks at how the revenues of the Municipality of Baia Mare have changed over the period from 1993 to 1996. As shown in Table 3, below, revenues have doubled in real terms. From 1993 to 1995, state capital subsidies quadrupled, local taxes and fees tripled and shared national tax revenues more than doubled. Revenues were down in real terms in 1996 in all categories except state operating subsidies and local capital revenues.

<b>Table 3</b>				
<b>Value of Revenues</b>				
Constant 1995 Lei - Thousands				
	1993	1994	1995	1996
Local Taxes & Fees	1,108,395	1,406,693	5,772,481	4,520,014
Shared National Taxes	3,455,116	6,534,446	8,458,399	8,125,108
State Operating Subsidies	3,805,862	722,237	3,581,715	4,439,433
<b>Total Operating Revenues</b>	<b>8,369,373</b>	<b>8,663,376</b>	<b>17,812,595</b>	<b>17,084,555</b>
Own Capital Revenues	758,718	547,673	354,874	1,069,834
State Capital Subsidies	1,068,763	2,699,960	5,583,070	3,300,650
<b>Total Capital Revenues</b>	<b>1,827,481</b>	<b>3,247,633</b>	<b>5,937,944</b>	<b>4,370,484</b>
<b>Total Revenues</b>	<b>10,196,854</b>	<b>11,911,009</b>	<b>23,750,539</b>	<b>21,455,039</b>

During the same period, as shown in Table 4, below, the composition of the operating revenues of the Municipality of Baia Mare, that is, those revenues that are most critical to an evaluation of the borrowing capacity of the Municipality, has changed somewhat. Shared national tax revenues continue to comprise nearly half of the Municipality's operating revenues. State operating subsidies have become increasingly important. The relative weight of local taxes and fees decreased in 1996.



	1993	1994	1995	1996
Local Taxes & Fees	13 24%	16 24%	32 41%	26 46%
Shared National Taxes	41 28%	75 43%	47 49%	47 56%
State Operating Subsidies	45 47%	8 34%	20 11%	25 99%

### Expenditure Trends

This section of the analysis looks at how the expenditures of the Municipality of Baia Mare have evolved over the period from 1993 to 1996. As shown in Table 5, below, the volume of expenditures in constant 1995 lei has seen the greatest jump in education expenditures--a new responsibility for the Municipality. Fluctuations in expenditures for health can be explained by responsibilities being switched between the Judet and the Municipality. It is evident from the data in the table that the Municipality made an effort to control expenditures in 1996. Per capita levels decreased in real terms in important categories, such as health and public works. These were offset, however, by increases, especially in education and transportation. If the growth in revenues in real terms remains negative or low, the Municipality will face a very difficult challenge.

Chapter	1993	1994	1995	1996
General Administration	1 30	2 68	4 43	3 97
Education	0 00	0 00	21 40	26 22
Health	23 00	34 14	40 56	29 64
Culture and Art	2 11	3 79	3 65	5 76
Social Assistance	0 68	1 15	3 84	4 63
Public Works and Housing	31 45	15 69	39 92	33 85
Transportation and Communication	0 00	0 00	9 62	13 17
Other Economic Activities	0 00	0 00	0 00	0 00
Other Activities	0 18	0 05	0 21	0 52

**Debt**

The Municipality of Baia Mare borrowed a billion lei as a short-term loan from the Judet in 1996. It paid off one tenth of the principal in 1996.

The Municipality is not actively seeking loans, but is investigating credit as a source of investment finance.

**Projections**

Table 6 shows the future net operating results for the Municipality of Baia Mare as projected to the year 2001, based on current revenue and expenditure trends. That table shows that the Municipality will have to generate additional revenues or control its expenditures to prevent moderate deficits in the future.

**Table 6  
Projections**

**Baia Mare**

**Actual and Projected Cash Flow**

**Current Trends Constant 1995 Lei**

	1993	1994	1995	1996	1997	1998	1999	2000	2001
<b>Recurring Revenues Total</b>	8 263 530	8 464 237	17 127 534	16 478 313	20 910 315	24 241 079	27 571 844	30 902 608	34 233 373
Of which									
<i>Local Taxes and Fees</i>	1 002 552	1 207 554	5 087 420	3 913 772	5 956 206	7 217 558	8 478 911	9 740 264	11 001 616
<i>Shared National Tax Revenues</i>	3 455 116	6 534 446	8 458 399	8 125 108	10 626 749	12 220 142	13 813 535	15 406 927	17 000 320
<i>State Operating Subsidies</i>	3 805 862	722 237	3 581 715	4 439 433	4 327 360	4 803 379	5 279 398	5 755 418	6 231 437
<b>Operating Expenditures Total</b>	8 809 699	8 624 102	17 518 008	17 584 418	21 938 572	25 460 379	28 982 185	32 503 991	36 025 797
Of which									
<i>General Administration</i>	194 654	402 529	666 113	593 182	828 911	974 828	1 120 744	1 266 661	1 412 577
<i>Education</i>	0	0	3 213 853	3 915 233	5 522 159	7 018 114	8 514 069	10 010 024	11 505 979
<i>Health</i>	3 449 906	5 120 541	6 091 654	4 426 068	5 746 942	6 136 902	6 526 862	6 916 822	7 306 782
<i>Culture &amp; Sports</i>	317 181	568 206	547 989	859 757	975 160	1 135 911	1 296 662	1 457 413	1 618 163
<i>Social Assistance</i>	101 549	172 161	576 973	691 988	929 700	1 147 313	1 364 926	1 582 538	1 800 151
<i>Public Works &amp; Housing</i>	4 718 738	2 353 048	4 944 754	5 053 859	5 166 867	5 526 574	5 886 280	6 245 987	6 605 694
<i>Transportation &amp; Communication</i>	0	0	1 444 672	1 966 822	2 689 158	3 423 672	4 158 186	4 892 700	5 627 214
<i>Other Economic Activities</i>	0	0	0	0	0	0	0	0	0
<i>Other Activities</i>	27 671	7 617	32 000	77 511	79 675	97 066	114 456	131 846	149 236
<i>Interest Payments</i>	0	0	0	0	0	0	0	0	0
<b>Recurring Surplus (Deficit)</b>	(546 169)	(159 865)	(390 474)	(1 106 105)	(1 028 258)	(1 219 299)	(1 410 341)	(1 601 383)	(1 792 424)
<b>Non recurring Operating Revenues Total</b>	105 843	199 139	685 061	606 242	895 851	1 094 562	1 293 274	1 491 986	1 690 698
Of which									
<i>Non recurring Local Operating Revenues</i>	105 843	199 139	685 061	606 242	895 851	1 094 562	1 293 274	1 491 986	1 690 698
<b>Net Operating Surplus (Deficit)</b>	(440 326)	39 274	294 587	(499 864)	(132 407)	(124 737)	(117 067)	(109 397)	(101 727)

234

## B FINANCIAL MANAGEMENT PRACTICES

### The Budgeting Process

The municipality's budget office takes care of the budget preparation. The first step is to request budget proposals from the "Credit Coordinator" of the subordinate (implementing) organization. These budget proposals vary in their complexity. Sometimes they involve data, and sometimes they describe in words what is needed for the next year. The technical and economic departments of the municipality then analyze the budget proposals together and create priorities for the municipality. (For the areas of education, health and culture, the budget office is more likely to discuss the proposals with the implementing organizations.)

The public works budget proposal for the current year consisted of three parts:

- 1) operating expenditures - set to maintain the same level of spending, adjusted for inflation
- 2) funds for ongoing investment
- 3) funds for new investment

In general, the subordinate organization would present its needs without regard to inflation. The budget office takes inflation factors from the National Statistics Department and applies them to the proposed budgets. Certain expenditures have minimal levels set by the Law on the Budget. This is the case for education and health expenditures. Each budget council may also create minimal levels for certain categories of the city's expenditures, taking into account the city's budget.

The technical department creates an investment budget sheet with all chapters and projects to be approved by the local council. Investment expenditures are prioritized by chapter and by project within a chapter. In Baia Mare, public works, education and health are the current priorities.

The total amount proposed by the technical department is usually about twice the amount they actually receive. When the final budget is decided, the technical department will reprioritize all of the projects in order to get within the budget limits. The budget may try to influence the municipality's investment decisions by not granting funds for a particular project. However, once the funds are released, the municipality has full control over how they are spent.

In prioritizing investment projects, the technical department tries to pick projects that can be finished in one year. They also try to select projects that are good deals - that is, good projects for less money.

The Economic Director presents the budget to the Budget Commission of the Local Council. The Commission then presents the budget to the entire Local Council for approval.

### Monitoring Expenditures

The municipality monitors most of the budget's expenditures, except for those of the regia. These expenditures are monitored by the regia itself. There are different ways in which the municipality can monitor expenditures. One way is to supervise the subordinate organization's financial staff. Another way is to monitor payments that have to go through the municipality, such as for materials and services and personnel. In general, the subordinate organizations do not have leeway in terms of personnel expenses because they must follow the national salary plan. (Note, this does not apply to regia staff.)

### **Modification of the Expenditure Budget**

The original budget is modified usually in October or November in response to changes in the state budget (which changes the funds received by the municipality from the state)

One change in state law has already affected Baia Mare. As of this year, when a local council takes a short-term loan from the judet council treasury fund or the state's treasury, the city has to pay interest and pay back the loan within 18 months. (Earlier, the local council would pay back the loan within the calendar-fiscal year and not pay interest.) In 1996 Baia Mare took a short-term loan of 1 billion lei from the judet fund and paid back only one tenth of the principal in 1996.

## **C PROVISION OF INFRASTRUCTURE SERVICES**

### **Organizations Responsible for Local Services**

For the Municipality of Baia Mare infrastructure services are provided by a local regie autonome and a commercial company.

The Regie Autonome for Public Works, known as "RA URBIS Baia Mare," provides the following services:

- Water and waste water
- Heating (including both production and distribution)
- Mass Transit
- Housing and others (including markets)
- City street maintenance

"SC de Salubritate," a private company, collects and disposes of solid waste based on commercial contracts with local residents and businesses.

This analysis focuses on RA URBIS only. The analysis looked at the financial history of the regie from 1993 to 1996. Since this regie was created in 1995 by a merger of two existing regii, the analysis looked at their consolidated past results for 1993, 1994, and 1995.

### **Net Profit (Loss)**

The net income of RA URBIS, as shown in Table 7, below, has followed a steady negative trend during the period from 1993 to 1996. The results have fluctuated from a profit of Lei 733.8 million in 1994 to an estimated loss of Lei 897.5 million in 1996, expressed in constant 1995 Lei. The principal factor that seems to account for the large loss in 1996 is a doubling in depreciation expenses from Lei 1.6 billion in 1995 to 3.4 billion in 1996. The projection for 1997 is of an additional loss of approximately Lei 948 million, if present conditions remain the same.

The net results from operations of RA URBIS also have deteriorated since 1994. The regie went from a small operating loss of Lei 82 million in 1994 to a much larger loss of Lei 1.4 billion in 1996, all expressed in constant 1995 lei. The operating profit margin decreased from (0.4)% in 1994 to (4.1)% in 1996. These results raise questions about the ability of the regie to maintain its core activity in the future without outside financial help.

Although the operating results provide important information about the finances of RA URBIS, they may not provide a complete understanding of the overall financial condition of the regie. The following analysis will attempt to provide additional insights.

<b>Table 7</b>				
<b>Net Profit (Loss)</b>				
Constant 1995 Lei - Thousands				
	<b>1994</b>	<b>1995</b>	<b>1996 (E)</b>	<b>1997 (P)</b>
Operating Revenues	18,450,404	17,740,116	34,712,922	23,663,874
Operating Costs	18,532,916	17,701,839	36,137,516	25,007,377
Operating Profit (Loss)	(82,512)	38,277	(1,424,594)	(1,343,503)
Operating Profit (Loss) Margin	(0.4)%	0.2%	(4.1)%	(5.7)%
Other Revenues	1,098,362	74,490	108,589	85,197
Other Costs	271,601	81,209	186,987	135,820
Gross Profit (Loss)	744,249	31,558	(1,502,992)	(1,394,126)
Profit/Payroll Taxes Paid	10,417	18,886	(605,477)	(446,121)
<b>Net Profit (Loss)</b>	<b>733,832</b>	<b>12,672</b>	<b>(897,515)</b>	<b>(948,005)</b>

### Net Cash Flow Analysis

The Income Statement and the Balance Sheet of a local regie or commercial company that provides essential infrastructure services to a community present valuable information both to the managers and to the Local Councils and other interested parties such as investors and creditors. Yet, it is important to look beyond the results reported in the Income Statement and Balance Sheet at other results that can be calculated using the information available in those statements.

Under the present conditions in the Romanian economy, it is not unusual to find commercial companies, including many local regii, with high levels of both accounts receivable and accounts payable. A growing inability to collect payments owed by clients for services provided, reflected in the increase in accounts receivable, poses a potential threat to the liquidity of many companies, including some of the regii. By and large, companies have tried to offset the loss of cash implicit in the increase in accounts receivable by a corresponding increase in accounts payable. The situation often is described as one of "financial blockage" - no-one pays anyone else. This involves serious risks. It is not sustainable over time. What might happen, for example, if a large creditor (such as RENEL) demands payment of accumulated bills? In the absence of a compensating reduction in receivables (an increase in the collection from its debtors), the commercial company or regie would face a serious cash problem that might impair its ability to continue to operate normally.

The existing situation of "financial blockage" distorts the picture of the financial condition of a company or regie, as shown in its financial statements. Assets, as shown by accounts receivable in the balance sheet, may not be what they seem. It is likely that in the future not all receivables will be recovered. Consequently, companies should be making provisions for losses from bad debts. Conversely, liabilities, as shown by accounts payable, may also be inaccurate. As companies begin to face the obligation to repay accumulated arrears, there is a potential for late payment fees or penalties. Therefore, companies (including regii) which have a high volume of accounts payable should start introducing provisions for losses on penalties and litigation.

The most immediate problem, however, is whether the company is generating sufficient cash to ensure its continued operations. In answering this question, it is necessary to look beyond the operating results as reported in the Income Statement to the Net Cash Flow of the company. By projecting, for the near future, the level of cash that flows through the company, the management can predict the company's cash position at every instant in time, assess liquidity risks, and prevent unpleasant moments of illiquidity. In the case of the regie, liquidity is also a concern for the municipality which has an obligation to provide a reasonable level of infrastructure services to the local community. Barring any force majeure and using good sense in estimating the risks, the trend in the ending cash position can show well in advance when a liquidity problem might arise.

#### *How We Arrive at Net Cash Flow*

The purpose of the Net Cash Flow analysis is to identify the sources and uses of cash during the accounting period. To do this, the analysis divides the operations of a company or regie into three main activity groups that cause assets to change: operations, investments and financing. Beginning with net income calculated on an accrual basis, the analysis makes a series of adjustments intended to transform net income into cash flow. The adjustments are of three types:

- Expenses not involving cash outflows are added back, e.g. depreciation, deferred taxes, increase in accounts payable and in accrued interest payable,
- Cash outflows not treated as expenses are subtracted, e.g. increase in inventory, dividends,
- Revenues not involving cash inflows are subtracted as well, e.g. increase in accounts receivable and in accrued interest earned, and gain on sale of property.<sup>1</sup>

The first activity covered in the analysis are the income and expenses related to the *operations* of the company or regie. Most expenses involve a corresponding outflow of cash. Depreciation, amortization and provisions, however, although deducted as expenses do not require the use of cash. Since they are a non-cash reduction in net income, they are added back to adjust the cash flow from operations. The same is true for the increase in accounts payable (the difference is deducted from net income but not yet paid) and the decrease in accounts receivable (similarly, this is an increase in sales for which the regie has not been paid). In addition, the increase in inventory is deducted to reflect the cash used to produce the additional inventory. This part of the analysis looks at the trends in accounts payable and accounts receivable, as well as net cash generated from operations.

The final two parts of the analysis then look at the impact on net cash flow of *investment and financing activities*. The first involves changes in a firm's long-term investments in property, plant and equipment. These activities are not reflected in the income statement but represent a

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<sup>1</sup> Whatever cash is generated by the sale of property will appear on the cash flow statement as proceeds from the sale of property under the heading "*cash flow from investments*". The gain (or loss) on the sale is the difference between the property's selling price and its balance sheet value when sold. Because this gain is already part of the line +/- (purchase)/sale of property, plant or equipment, showing it also as part of operating activities would amount to double-counting.

use (or a source of) cash <sup>2</sup> *Financing activities* include cash raised from debt (inflows) and cash outflows for the dividends paid <sup>3</sup>

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<sup>2</sup> Because of little information on the changes in property plant and equipment, we assumed that all changes come from revaluation of the assets. This is a change that does not affect either the cash flow or net income.

<sup>3</sup> In the particular case of Romania and the region, we have also observed the use of unearned revenues as a way to bridge-finance the shortfall of cash at the end of the year. Similarly, this is sometimes compensated by an increase in prepaid expenses. Both are a masked form of short-term financing.



**Table 8**  
**Cash Flow Analysis**  
**Constant 1995 Lei - Thousands**

RA URBIS Bala Mare	1993	1994	1995	1996
Net Income	109 014	733,832	12 672	(897 515)
<i>Cash Flow from Operations</i>				
<b>Adjustment to reconcile Net Income to net cash provided by operating activities</b>				
Add back DEPRECIATION AMORTIZATION PROVISIONS		454 176	1 649 837	3 411 647
<b>Adjust for change in assets and liabilities</b>				
Add back increase in A/P and any other payable (including accrued liabilities and penalties)	-	2 725,198	1 810 242	(23 528)
Subtract increase in A/R , and any other accrued receivable		(3 922 621)	(3 163 978)	(687 541)
Subtract increase in any of the INVENTORY		(698 038)	(304 384)	(219 865)
<b>Net Cash Flow from Operations</b>	<b>109,014</b>	<b>(707,453)</b>	<b>4,389</b>	<b>1,583,198</b>
<i>Cash Flow from Investments</i>				
/+ (Purchase) / sales of PROPERTY PLANT & EQUIPMENT				
/+ (Purchase) / sales of other INVESTMENTS				
<b>Net Cash Flow from Investments</b>	-	-	-	-
<i>Cash Flow from Financing</i>				
Subtract increase in PREPAID EXPENSES		(90 146)	61 999	10 839
Add increase in UNEARNED REVENUES		1 115 206	(270 504)	(407 269)
Add increase in CREDITS & LOANS			220 050	(89 741)
Subtract DIVIDENDS paid to the owner		(21 196)	(3 146)	(8 490)
<b>Net Cash Flow from Financing</b>	-	<b>1,003,864</b>	<b>8,399</b>	<b>(494,661)</b>
<b>Net Cash Flow for the Period</b>	<b>109,014</b>	<b>296,411</b>	<b>12,788</b>	<b>1,088,537</b>
<b>BEGINNING Cash</b>				
		<b>362,375</b>	<b>658,786</b>	<b>671,574</b>
<b>ENDING Cash</b>				
	<b>362,375</b>	<b>658,786</b>	<b>671,574</b>	<b>1,760,111</b>

**Net Cash Flow Actual to Date***Trends in Accounts Receivable*

The receivables of RA URBIS have steadily increased over the years attaining a record level of Lei 7.6 billion in September 1996. The largest single increase was in 1994 when accounts receivable jumped in one year by Lei 3.9 billion in constant 1995 lei. Even considering an improvement for 1997, the receivables will probably continue to increase by about 300 million Lei in real terms per year all other things being equal. The largest share of debtors are private households.

*Trends in Accounts Payable*

Because of the increase in accounts receivable, the working capital has been largely financed through a corresponding increase in accounts payable. Consequently accounts payable for RA URBIS have similarly increased with a peak in 1994 of Lei 2.7 billion. The major creditor is RENEL, the power authority, through its local subsidiaries.

*Net Cash Flow*

Because of the parallel increase in the level of receivables and payables, the Net Cash Flow actually follows the trend in income, except for 1996 when additional cash was generated through the tax shield provided by the doubling of the depreciation expense. As a result at present, the regie is in a relatively sound cash position. Liquidity is good and increasing. The current ratio has been over 150% and is expected to attain 230% in 1996. The debt to assets ratio is a reassuring 5%.

Subsidies play a major part in the regie's operations. They account for all of the net cash generated from operations and approximately 15 - 30% of turnover. Consequently, any change in the policy leading to a reduction in subsidies will have a significant adverse impact on the net cash position of the regie. Among other external factors that could have a significant impact on the cash position of the regie, the largest single item would be an increase in the cost of labor (which accounts for one-third of total costs). The second most important is the price of energy. Any price increase in either of these cost factors also would have a significant adverse impact on the net cash position of the regie.

**Impact on Finances of the Municipality**

Table 9, below, shows the flow of funds between the Municipality and RA URBIS Baia Mare. As indicated by the figures in the table, there was a net flow from the Municipality to the regie in each year between 1994 and 1996. The net flow, however, was not significant in the overall finances of the city.

<b>Table 9</b>			
<b>Flow of Funds</b>			
<b>Municipality - RA URBIS</b>			
	<b>1994</b>	<b>1995</b>	<b>1996</b>
From the Municipality to RA URBIS	2,422,752	3,773,685	4,411,606
State Subsidies	2,422,752	3,773,685	4,411,606
Other	0	0	0
From RA URBIS to the Municipality	2,343,610	1,887,587	3,119,498
Income and Sales Tax Revenues	1,976,694	1,881,251	3,119,498
Distribution of Profits	366,916	6,336	0
<b>Net To (From) Municipality</b>	<b>(79,142)</b>	<b>(1,886,098)</b>	<b>(1,292,108)</b>
Net as Percent of Revenues (Expenditures)	(0.4)%	(5.9)%	n/a

## APPENDIX I - DEFINITIONS

1996 Code	Category/Sub Category
	<b>Recurring Revenues</b>
	of which
	Local Taxes and Fees
	Shared National Salary Tax Revenues
	State Operating Subsidies
	<b>Local Taxes and Fees</b>
	of which
01 02	Taxes on Profits of Regii
03 02	Taxes and Fees on Individuals
04 02	Fees for Use of State Property
05 02	Corporate Property Tax
06 02	Corporate Vehicle Fees
07 02	Tax on Revenues from Agriculture
08 02	Other Direct Taxes
17 02	Other Indirect Taxes
	<b>Shared National Tax Revenues</b>
	of which
34 02	Shared National Salary Tax Revenues
	<b>State Operating Subsidies</b>
	of which
37 02 01	Subsidies for Social Assistance, Heating & Public Transport
	<b>Non-Recurring Revenues</b>
	of which
	Non-Recurring Local Operating Revenues
	Local Capital Revenues
	Other Capital Revenues
	<b>Non-Recurring Local Operating Revenues</b>
	of which
15 02	Entertainment Fees
20 02	Distribution from Profits of Regii
21 02	Revenues from Public Institutions
22 02	Other Various Revenues
40 02	Donations
	<b>Local Capital Revenues</b>
	of which
30 02	Proceeds from the Sale of Public Property & Housing
45 02	Proceeds of Short-term Loans
	<b>Other Capital Revenues</b>
	of which
37 02 02	State Capital Investment Subsidies
37 02 03	Capital Investment Subsidies from External Loans
46 02	Proceeds of Loans from Revolving Funds

**Appendix II**

**Detailed Financial Information on the  
Municipality of Baia Mare**

**Standard Data Set**

<b>Baia Mare</b>				
<b>Line Revenues - Actual at Year End</b>	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>
<b>0 Total Revenues</b>	4 903,970	9 320 039	23 750 539	33 662 955
Change in Total Revenues (current year/previous year)		1 90	2 55	1 42
<b>1 Local Taxes and Fees Recurring</b>	482 157	944 878	5 087 420	6,140 708
<b>2 Non Recurring Local Operating Revenues</b>	50 903	155,821	685 061	951 193
<b>3 Local Capital Revenues</b>	364,890	428 539	354 874	1,678 569
<b>4 Of which Proceeds from the sale of public property</b>	2 144	213	465	1 432
<b>5 Shared National Tax Revenues</b>	1 661,668	5 113 025	8 458 399	12 748 294
<b>6 State Operating Subsidies</b>	1 830 352	565 131	3,581 715	6 965 471
<b>7 Other Capital Revenues</b>	514 000	2 112 645	5 583 070	5 178 720
<b>8 Total Recurring Revenues (Line 1+5+6)</b>	3 974 177	6 623 034	17 127 534	25 854 473
Change in Recurring Revenues (current year/previous year)		1 67	2 59	1 51
<b>9 Total Non Recurring Revenues (Line 2+3+7)</b>	929 793	2 697 005	6 623 005	7 808 482
<b>10 Verify Line 0 = Sum (Line 8+9)</b>	4 903 970	9 320 039	23 750 539	0
	OK	OK	OK	OK
<b>Revenues - Initial Approved Budget</b>	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>
<b>11 Total Revenue Budget</b>	4 862 020	9 518 754	23 891 146	34 392 485
<b>12 Local Revenues and Fees</b>	483,770	998,404	5 155,527	7 328 000
<b>13 Shared National Tax Revenues</b>	1 661 668	5 113 025	8 458 399	12 748 294
<b>14 State Operating Subsidies</b>	1 830 352	760 075	3 658 932	6 965 471
<b>15 Recurring Revenue Budget (Line 12+13+14)</b>	3 975 790	6 871 504	17 272,858	27 041 765

215  
5/10

Standard Data Set

Baia Mare

Expenditures - Actual at Year End

	1993	1994	1995	1996
16 Administrative Expenses General Administration	93 615	314 968	666 113	930 702
17 Subsidies and Transfers General Administration	0	0	0	0
18 Capital Expenditures General Administration	16 461	167 067	49 797	95 000
19 Administrative Expenses Education	0	0	3 213 853	6 143 000
20 Subsidies and Transfers Education	0	0	0	0
21 Capital Expenditures Education	0	0	0	0
22 Administrative Expenses Health	1 659 162	4,006 683	6 091 654	6 944 500
23 Subsidies and Transfers Health	0	0	0	0
24 Capital Expenditures Health	0	0	0	0
25 Administrative Expenses Culture & Sports	15 611	49 459	0	0
26 Subsidies and Transfers Culture & Sports	136 931	395 147	547 989	1 348 958
27 Capital Expenditures Culture & Sports	0	36 374	0	0
28 Administrative Expenses Social Assistance	48,838	134 711	173 321	203 819
29 Subsidies and Transfers Social Assistance	0	0	403 652	881 910
30 Capital Expenditures Social Assistance	699	3 500	2 500	10 000
31 Administrative Expenses Public Works & Housing	439,029	1,276 065	2 572 211	3 818 887
32 Subsidies and Transfers Public Works & Housing	1 830 352	565,131	2 372 543	4 110 617
33 Capital Expenditures Public Works & Housing	604 093	2 346 643	2 583 847	3 273 761
34 Administrative Expenses Transportation & Communication	0	0	0	0
35 Subsidies and Transfers Transportation & Communication	0	0	1 444 672	3 085 944
36 Capital Expenditures Transportation & Communication	0	0	3 496 716	2 574 000
37 Administrative Expenses Other Economic Activities	0	0	0	0
38 Subsidies and Transfers Other Economic Activities	0	0	0	0
39 Capital Expenditures Other Economic Activities	0	0	0	0
40 Administrative Expenses Other Activities	13 308	5 960	32 000	121 615
41 Subsidies and Transfers Other Activities	0	0	0	0
42 Capital Expenditures Other Activities	0	0	0	13 000
<b>Operating Expenditures by Chapter</b>				
43 General Administration Oper Exp (Line 16+17)	93 615	314 968	666 113	930,702
44 Education Oper Exp (Line 19+20)	0	0	3 213 853	6 143 000
45 Health Oper Exp (Line 22+23)	1 659 162	4 006 683	6 091 654	6 944 500
46 Culture & Sports Oper Exp (Line 25+26)	152 542	444 606	547 989	1 348 958
47 Social Assistance Oper Exp (Line 28+29)	48 838	134 711	576 973	1 085 729
48 Public Works & Housing Oper Exp (Line 31+32)	2 269 381	1 841 196	4 944 754	7 929 504
49 Transportation & Communication Oper Exp (Line 34+35)	0	0	1 444 672	3 085 944
50 Other Economic Activities Oper Exp (Line 37+38)	0	0	0	0
51 Other Activities Oper Exp (Line 40+41)	13 308	5 960	32 000	121 615

246

**Standard Data Set**

**Baia Mare**

<b>Expenditures - Actual at Year End</b>	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>
<b>52 Total Operating Expenditures (Line 53+54+55)</b>	4 236 846	6 748 124	17,518 008	27,589 952
Of which      Change in Operating Expenditures (current year/previous year)		1 59	2 60	1 57
<b>53 Total Administrative Expenses (Line 16+19+22+25+28+31+34+37+40)</b>	2 269 563	5 787 846	12 749,152	18 162 523
<b>54 Total Subsidies &amp; Transfers (Line 17+20+23+26+29+32+35+38+41)</b>	1 967 283	960 278	4 768 856	9 427 429
<b>55 Interest Payments</b>	0	0	0	0
 <b>56 Total Capital Expenditures (Line 18+21+24+27+30+33+36+39+42)</b>	 621,253	 2 553 584	 6 132 860	 5 965 761
 <b>57 Other Payments (Line 58+59+60)</b>	 0	 0	 0	 107 242
Of which				
<b>58 Principal Repayments</b>	0	0	0	107 242
<b>59 Set Aside for Reserves</b>	0	0	0	0
<b>60 Distribution of Surplus</b>	0	0	0	0
 <b>61 Total Annual Debt Service (Principal+Interest Payments)</b>	 0	 0	 0	 107 242
 <b>62 Total Expenditures</b>	 4 858 099	 9 301 708	 23 650 868	 33 662 955
	4 858 099	9 301 708	23 650 868	0
<b>63 Verify Line 62 = Sum (Line 52+56+57)</b>	OK	OK	OK	OK
 <b>Expenditures - Initial Approved Budget</b>	 <b>1993</b>	 <b>1994</b>	 <b>1995</b>	 <b>1996</b>
<b>64 Operating Expenditure Budget</b>	23 830 767	7 005 393	17 612 739	28 367,284
<b>65 Capital Expenditure Budget</b>	621,253	2,573 361	6 278 407	6 025 201
 <b>Other Non-Financial Data</b>				
<b>66 Total Local Government Employees (Municipal or Judet)</b>	87	88	101	105
<b>67 Total Population (Municipality or Judet)</b>	150 018	149 975	150 201	149 307
<b>68 Year to Year Inflation</b>	296 0%	62 7%	27 8%	56 9%
<b>69 Deflator (Base Year = 1995)</b>	2 08	1 28	1 00	0 64

*6/19*



## Indicators

<b>Baia Mare</b>					
<b>Financial Performance Indicators</b>		<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>
<i>Key Revenue Indicators</i>					
<b>1</b> - Recurring Revenues/Total Revenues		0 81	0 71	0 72	0 77
<b>2</b> Shared National Tax Revenues/Recurring Revenues		0 42	0 77	0 49	0 49
<b>3</b> State Operating Subsidies/Recurring Revenues		0 46	0 09	0 21	0 27
<b>4</b> Local Taxes & Fees/Recurring Revenues		0 12	0 14	0 30	0 24
<b>5</b> - Proceeds from Asset Sales/Total Revenues		0 00	0 00	0 00	0 00
 <i>Key Expenditure Indicators</i>					
<b>6</b> Total Expenditures Per Capita (1000 lei)		32 38	62 02	157 46	225 46
<b>7</b> Operating Expenditures Per Capita (1000 lei)		28 24	44 99	116 63	184 79
<b>8</b> Operating Expenditures/Total Expenditures		0 87	0 73	0 74	0 82
<b>9</b> - Capital Expenditures/Total Expenditures		0 13	0 27	0 26	0 18
 <i>Key Indicators of Net Results</i>					
<b>10</b> Total Expenditures/Total Revenues		0 99	1 00	1 00	1 00
<b>11</b> Operating Expenditures/Recurring Revenues		1 07	1 02	1 02	1 07
<b>12</b> - Recurring Surplus/Shared National Tax Revenues		-0 16	-0 02	-0 05	-0 14
<b>13</b> - Recurring Surplus/Local Taxes & Fees		-0 54	-0 13	-0 08	-0 28
 <i>Key Actual to Budget Performance Indicators</i>					
<b>14</b> Actual Revenues/Initial Revenue Budget		1 01	0 98	0 99	0 98
<b>15</b> - Actual Recurring Revenues/Initial Recurring Revenue Budget		1 00	0 96	0 99	0 96
<b>16</b> Actual Local Taxes and Fees/Local Taxes and Fees Budget		1 00	0 95	0 99	0 84
<b>17</b> Actual Shared National Tax Revenues/National Tax Budget		1 00	1 00	1 00	1 00
<b>18</b> Actual Expenditures/Initial Expenditure Budget		0 20	0 97	0 99	0 98
<b>19</b> Actual Operating Expenditures/Initial Operating Expenditure Budget		0 18	0 96	0 99	0 97
<b>20</b> - Actual Capital Expenditures/Initial Capital Expenditure Budget		1 00	0 99	0 98	0 99

## Indicators

### Baia Mare

<i>Key Relative Performance Indicators</i>	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>
<b>21</b> <i>Change in Recurring Revenues /Change in Total Revenues</i>	n/a	0 88	1 01	1 07
<b>22</b> <i>Change in Operating Expenditures/Change in Recurring Revenues</i>	n/a	0 96	1 00	1 04
 <i>Key Debt Service Indicators</i>				
<b>23</b> <i>Total Annual Debt Service/Recurring Revenues</i>	0 00	0 00	0 00	0 00
<b>24</b> <i>- Interest Payments/Recurring Revenues</i>	0 00	0 00	0 00	0 00
<b>25</b> <i>- Total Annual Debt Service/Recurring Surplus before Interest Payments</i>	0 00	0 00	0 00	-0 06
<b>26</b> <i>Max Future Debt Service/Recurring Surplus before Interest Payments</i>	-26 11	-54 82	-17 56	0 00
 <i>Operating Expenditure Indicators by Chapter (1000 lei)</i>				
<b>27</b> <i>General Administration Expenditures/Per Capita</i>	0 62	2 10	4 43	6 23
<b>28</b> <i>Education Expenditures/Per Capita</i>	0 00	0 00	21 40	41 14
<b>29</b> <i>Health Expenditures/Per Capita</i>	11 06	26 72	40 56	46 51
<b>30</b> <i>- Culture &amp; Sports Expenditures/Per Capita</i>	1 02	2 96	3 65	9 03
<b>31</b> <i>- Social Assistance Expenditures/Per Capita</i>	0 33	0 90	3 84	7 27
<b>32</b> <i>Public Works &amp; Housing Expenditures/Per Capita</i>	15 13	12 28	32 92	53 11
<b>33</b> <i>Transportation Expenditures/Per Capita</i>	0 00	0 00	9 62	20 67
<b>34</b> <i>Other Economic Expenditures/Per Capita</i>	0 00	0 00	0 00	0 00
<b>35</b> <i>Other Expenditures/Per Capita</i>	0 09	0 04	0 21	0 81
 <i>Operating Expenditure Indicators by Chapter (Constant 1995, 1000 Lei)</i>				
<b>36</b> <i>General Administration Expenditures/Per Capita</i>	1 30	2 68	4 43	3 97
<b>37</b> <i>Education Expenditures/Per Capita</i>	0 00	0 00	21 40	26 22
<b>38</b> <i>Health Expenditures/Per Capita</i>	23 00	34 14	40 56	29 64
<b>39</b> <i>Culture &amp; Sports Expenditures/Per Capita</i>	2 11	3 79	3 65	5 76
<b>40</b> <i>Social Assistance Expenditures/Per Capita</i>	0 68	1 15	3 84	4 63
<b>41</b> <i>Public Works &amp; Housing Expenditures/Per Capita</i>	31 45	15 69	32 92	33 85
<b>42</b> <i>- Transportation Expenditures/Per Capita</i>	0 00	0 00	9 62	13 17
<b>43</b> <i>Other Economic Expenditures/Per Capita</i>	0 00	0 00	0 00	0 00
<b>44</b> <i>Other Expenditures/Per Capita</i>	0 18	0 05	0 21	0 52

24

## Indicators

### Baia Mare

<b>Actual Net Operating Results</b>	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>
<b>Recurring Revenues Total</b>	3,974,177	6,623,034	17,127,534	25,854,473
Of which				
<i>Local Taxes and Fees</i>	482,157	944,878	5,087,420	6,140,708
<i>Shared National Tax Revenues</i>	1,661,668	5,113,025	8,458,399	12,748,294
- <i>State Operating Subsidies</i>	1,830,352	565,131	3,581,715	6,965,471
 <b>Operating Expenditures Total</b>	 4,236,846	 6,748,124	 17,518,008	 27,589,952
Of which				
<i>General Administration</i>	93,615	314,968	666,113	930,702
- <i>Education</i>	0	0	3,213,853	6,143,000
- <i>Health</i>	1,659,162	4,006,683	6,091,654	6,944,500
<i>Culture &amp; Sports</i>	152,542	444,606	547,989	1,348,958
- <i>Social Assistance</i>	48,838	134,711	576,973	1,085,729
<i>Public Works &amp; Housing</i>	2,269,381	1,841,196	4,944,754	7,929,504
<i>Transportation &amp; Communication</i>	0	0	1,444,672	3,085,944
- <i>Other Economic Activities</i>	0	0	0	0
<i>Other Activities</i>	13,308	5,960	32,000	121,615
 <i>Interest Payments</i>	 0	 0	 0	 0
 <b>Recurring Surplus (Deficit)</b>	 (262,669)	 (125,090)	 (390,474)	 (1,735,479)
 <b>Non-recurring Operating Revenues Total</b>	 50,903	 155,821	 685,061	 951,193
Of which				
<i>Non recurring Local Operating Revenues</i>	50,903	155,821	685,061	951,193
 <b>Net Operating Surplus (Deficit)</b>	 (211,766)	 30,731	 294,587	 (784,286)

250

## Indicators

### Baia Mare

	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>
<b>Capital Revenues Total</b>	878,890	2,541,184	5,937,944	6,857,289
Of which				
Local Capital Revenues	364,890	428,539	354,874	1,678,569
- State Capital Subsidies	514,000	2,112,645	5,583,070	5,178,720
<b>Total Funds Available for Investments</b>	667,124	2,571,915	6,232,531	6,073,003
<b>Capital Expenditures Total by Chapter</b>	621,253	2,553,584	6,132,860	5,965,761
<i>General Administration</i>	16,461	167,067	49,797	95,000
<i>Education</i>	0	0	0	0
- <i>Health</i>	0	0	0	0
<i>Culture &amp; Sports</i>	0	36,374	0	0
<i>Social Assistance</i>	699	3,500	2,500	10,000
- <i>Public Works &amp; Housing</i>	604,093	2,346,643	2,583,847	3,273,761
- <i>Transportation &amp; Communication</i>	0	0	3,496,716	2,574,000
- <i>Other Economic Activities</i>	0	0	0	0
- <i>Other Activities</i>	0	0	0	13,000
<b>Overall Surplus (Deficit)</b>	45,871	18,331	99,671	107,242
<b>Minus Other Payments Total</b>	0	0	0	107,242
Of which				
<i>Principal Repavments</i>	0	0	0	107,242
<i>Set Aside for Reserves</i>	0	0	0	0
<i>Distribution of Surplus</i>	0	0	0	0
Verify Overall Surplus (Deficit) minus Other Payments = 0	Error	Error	Error	OK

251

## Indicators

### Baia Mare

#### Actual Net Operating Results - Constant 1995 lei

	1993	1994	1995	1996
<b>Recurring Revenues Total</b>	8,263,530	8,464,237	17,127,534	16,478,313
Of which				
- Local Taxes and Fees	1,002,552	1,207,554	5,087,420	3,913,772
- Shared National Tax Revenues	3,455,116	6,534,446	8,458,399	8,125,108
- State Operating Subsidies	3,805,862	722,237	3,581,715	4,439,433
<b>Operating Expenditures Total</b>	8,809,699	8,624,102	17,518,008	17,584,418
Of which				
- General Administration	194,654	402,529	666,113	593,182
- Education	0	0	3,213,853	3,915,233
- Health	3,449,906	5,120,541	6,091,654	4,426,068
Culture & Sports	317,181	568,206	547,989	859,757
- Social Assistance	101,549	172,161	576,973	691,988
- Public Works & Housing	4,718,738	2,353,048	4,944,754	5,053,859
- Transportation & Communication	0	0	1,444,672	1,966,822
Other Economic Activities	0	0	0	0
- Other Activities	27,671	7,617	32,000	77,511
<i>Interest Payments</i>	0	0	0	0
<b>Recurring Surplus (Deficit)</b>	(546,169)	(159,865)	(390,474)	(1,106,105)
<b>Non-recurring Operating Revenues Total</b>	105,843	199,139	685,061	606,242
Of which				
Non recurring Local Operating Revenues	105,843	199,139	685,061	606,242
<b>Net Operating Surplus (Deficit)</b>	(440,326)	39,274	294,587	(499,864)

252

## Indicators

### Baia Mare

	1993	1994	1995	1996
<b>Capital Revenues Total</b>	1,827,481	3,247,633	5,937,944	4,370,484
Of which				
Local Capital Revenues	758,718	547,673	354,874	1,069,834
- State Capital Subsidies	1,068,763	2,699,960	5,583,070	3,300,650
<b>Total Funds Available for Investments</b>	1,387,155	3,286,907	6,232,531	3,870,620
<b>Capital Expenditures Total by Chapter</b>	1,291,775	3,263,480	6,132,860	3,802,270
<i>General Administration</i>	34,227	213,512	49,797	60,548
- <i>Education</i>	0	0	0	0
<i>Health</i>	0	0	0	0
<i>Culture &amp; Sports</i>	0	46,486	0	0
<i>Social Assistance</i>	1,453	4,473	2,500	6,373
<i>Public Works &amp; Housing</i>	1,256,094	2,999,010	2,583,847	2,086,527
<i>Transportation &amp; Communication</i>	0	0	3,496,716	1,640,535
<i>Other Economic Activities</i>	0	0	0	0
<i>Other Activities</i>	0	0	0	8,286
<b>Overall Surplus (Deficit)</b>	95,380	23,427	99,671	68,351

## Projections

**Bala Mare**

**Actual and Projected Cash Flow**

**Current Trends Constant 1995 Lei**

	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>
<b>Recurring Revenues Total</b>	8 263 530	8 464 237	17 127 534	16 478 313	20 910 315	24 241 079	27 571 844	30 902 608	34 233 373
Of which									
<i>Local Taxes and Fees</i>	1 002 552	1 207 554	5 087 420	3 913 772	5 956 206	7 217 558	8 478 911	9 740 264	11 001 616
<i>Shared National Tax Revenues</i>	3 455 116	6 534 446	8 458 399	8 125 108	10 626 749	12 220 142	13 813 535	15 406 927	17 000 320
<i>State Operating Subsidies</i>	3 805 862	722 237	3 581 715	4 439 433	4 327 360	4 803 379	5 279 398	5 755 418	6 231 437
<b>Operating Expenditures Total</b>	8 809 699	8 624 102	17 518 008	17 584 418	21 938 572	25 460 379	28 982 185	32 503 991	36 025 797
Of which									
<i>General Administration</i>	194 654	402 529	666 113	593 182	828 911	974 828	1 120 744	1 266 661	1 412 577
<i>Education</i>	0	0	3 213 853	3 915 233	5 522 159	7 018 114	8 514 069	10 010 024	11 505 979
<i>Health</i>	3 449 906	5 120 541	6 091 654	4 426 068	5 746 942	6 136 902	6 526 862	6 916 822	7 306 782
<i>Culture &amp; Sports</i>	317 181	568 206	547 989	859 757	975 160	1 135 911	1 296 662	1 457 413	1 618 163
<i>Social Assistance</i>	101 549	172 161	576 973	691 988	929 700	1 147 313	1 364 926	1 582 538	1 800 151
<i>Public Works &amp; Housing</i>	4 718 738	2 353 048	4 944 754	5 053 859	5 166 867	5 526 574	5 886 280	6 245 987	6 605 694
<i>Transportation &amp; Communication</i>	0	0	1 444 672	1 966 822	2 689 158	3 423 672	4 158 186	4 892 700	5 627 214
<i>Other Economic Activities</i>	0	0	0	0	0	0	0	0	0
<i>Other Activities</i>	27 671	7 617	32 000	77 511	79 675	97 066	114 456	131 846	149 236
<i>Interest Payments</i>	0	0	0	0	0	0	0	0	0
<b>Recurring Surplus (Deficit)</b>	(546 169)	(159 865)	(390 474)	(1 106 105)	(1 028 258)	(1 219 299)	(1 410 341)	(1 601 383)	(1 792 424)
<b>Non recurring Operating Revenues Total</b>	105 843	199 139	685 061	606 242	895 851	1 094 562	1 293 274	1 491 986	1 690 698
Of which									
<i>Non recurring Local Operating Revenues</i>	105 843	199 139	685 061	606 242	895 851	1 094 562	1 293 274	1 491 986	1 690 698
<b>Net Operating Surplus (Deficit)</b>	(440 326)	39 274	294 587	(499 864)	(132 407)	(124 737)	(117 067)	(109 397)	(101 727)

254

**Appendix III**  
**Detailed Financial Information on**  
**RA URBIS**  
**Municipality of Baia Mare**



**Profit and Loss  
RA URBIS**

	Dec 1993	TOTAL 1993	TOTAL 1994	TOTAL1995	TOTAL1996	TOTAL1997	TOTAL1998
<b>FINANCIAL RESULTS RA URBIS Baia Mare</b>		2 01	1 34	1 00	0 67	0 36	0 33
1 Revenues from goods (merchandise) sold				74 593	151 519	113 058	140 127
2 Revenues from Core Activity	1 263 338	2 539 309	15 676 369	12 288 970	27 569 233	19 929 101	25 306 371
3 Turnover	1 263 338	2 539 309	15 676 369	12 363 563	27 720 752	20 042 157	25 448 498
4 or <5> Inventories evaluated				73 143	64 221	68 682	65 542
6 Assets in Process evaluated				1 381	1 381	1 381	1 381
7 Total Production	1 263 338	2 539 309	15 676 369	12 363 494	27 634 835	19 999 164	25 373 294
8 Subventions for Core Activity	1 369 057	2 751 805	2 422 752	3 773 685	4 411 606	1 530 000	1 380 000
9 Other Revenues	2 122	4 265	351 282	131 068	180 501	155 784	173 180
10 Rev from Provisions for Core Activity				1 397 276	2 334 462	1 865 869	2 681 153
<b>11 Total Revenues Core Activity</b>	<b>6 481 866</b>	<b>13 028 551</b>	<b>18 450 404</b>	<b>17 740 116</b>	<b>34 712 922</b>	<b>23 663 874</b>	<b>29 947 755</b>
12 Merchandise				67 588	123 318	95 453	115 065
13 Raw Materials			132 685	94 890	191 253		
14 Consumables			2 399 176	2 398 182	5 054 034		
15 Energy and Water			5 717 590	3 695 623	8 549 870		
16 Other Materials			37 714	83 238	170 618		
17 Total Materials			6 287 166	6 471 933	13 965 775	10 218 854	12 856 008
18 Other Costs			1 764 658	1 348 922	2 909 972	2 129 447	2 678 796
19 Taxes			137 074	70 944	151 101	111 023	139 231
20 Personnel			5 821 359	5 551 010	11 081 498		
21 Labor Burden			1 829 203	1 791 421	3 566 275	3 301 531	4 074 888
22 Total Personnel			7 650 563	7 342 431	14 667 773	11 005 102	13 582 959
23 Other Operational Costs			239 280	750 184	907 931	829 057	884 570
24 Depreciation for core activity			454 176	1 649 837	3 411 647	618 441	546 654
<b>25 Total Costs for Core Activity</b>	<b>6 434 111</b>	<b>12 932 563</b>	<b>18 532 916</b>	<b>17 701 839</b>	<b>36 137 516</b>	<b>25 007 377</b>	<b>30 803 282</b>
26 or <27> <b>Profit or &lt;Loss&gt; Core Activity</b>	<b>47 755</b>	<b>95 988</b>	<b>(82 512)</b>	<b>38 277</b>	<b>(1 424 595)</b>	<b>(1 343 504)</b>	<b>(855 527)</b>
<b>34 Total Financial Revenues</b>	<b>7 886</b>	<b>15 851</b>	<b>58 692</b>	<b>44 229</b>	<b>60 135</b>	<b>62 182</b>	<b>74 818</b>
38 Interest Expense	10 485	21 075	221 485	52 695	154 316		
40 Amortization / Provisions for Losses							
<b>41 Total Financial Costs</b>	<b>7 112</b>	<b>14 295</b>	<b>259 224</b>	<b>63 678</b>	<b>169 257</b>	<b>122 159</b>	<b>157 587</b>
42 or <43> <b>Profit or &lt;Loss&gt; Financial Activity</b>	<b>774</b>	<b>1 556</b>	<b>(200 532)</b>	<b>(19 649)</b>	<b>(69 122)</b>	<b>(59 977)</b>	<b>(82 769)</b>
44 or <45> <b>Current Profit or &lt;Loss&gt;</b>	<b>48 529</b>	<b>97 543</b>	<b>(283 044)</b>	<b>18 628</b>	<b>(1 513 716)</b>	<b>(1 403 481)</b>	<b>(938 296)</b>
<b>46 Extraordinary Revenues</b>	<b>5 707</b>	<b>11 471</b>	<b>1 039 670</b>	<b>30 261</b>	<b>28 454</b>	<b>23 015</b>	<b>17 801</b>
account 671 + 672 Extraordinary Costs			12 376	17 331	17 730		
a/c 687 Amortisation / Provisions for Ex Losses							
<b>47 Extraordinary Costs Total</b>			<b>12 376</b>	<b>17 331</b>	<b>17 730</b>	<b>13 661</b>	<b>10 934</b>
48 or <49> <b>Extraordinary Profit or &lt;Loss&gt;</b>	<b>5 707</b>	<b>11 471</b>	<b>1 027 294</b>	<b>12 930</b>	<b>10 724</b>	<b>9 354</b>	<b>6 867</b>
52 or <53> <b>Gross Profit or &lt;Loss&gt;</b>	<b>54 236</b>	<b>109 014</b>	<b>744 249</b>	<b>31 558</b>	<b>(1 502 992)</b>	<b>(1 394 127)</b>	<b>(931 429)</b>
54 Income Tax			10 417	18 886	(617 878)	(446 121)	(298 057)
55 Prepaid Tax					12 401		
<b>56 or &lt;57&gt; Net Profit or &lt;Loss&gt;</b>	<b>54 236</b>	<b>109 014</b>	<b>733 832</b>	<b>12 672</b>	<b>(897 515)</b>	<b>(948 006)</b>	<b>(633 372)</b>

256

**Net Cash Flow Analysis**  
**URBIS Bara Mare**  
**Constant 1995 Lei**

RA URBIS Bala Mare	1993	1994	1995	1996	1997	1998
Net Income	109,014	733,832	12,672	(897,515)	(948,006)	(633,372)
<i>Cash Flow from Operations</i>						
<b>Adjust Net Income to net cash provided by operating activities</b>						
Add back DEPRECIATION, AMORTIZATION, PROVISIONS	0	454,176	1,649,837	3,411,647	618,441	546,654
<b>Adjust for change in assets and liabilities</b>						
Add back increase in A/P and any other payable (including accrued liabilities and penalties)	0	2,725,198	1,810,242	(23,528)	540,000	330,000
Subtract increase in A/R and any other accrued receivable	0	(3,922,621)	(3,163,978)	(687,541)	(360,000)	(99,000)
Subtract increase in any of the INVENTORY	0	(698,038)	(304,384)	(219,865)	(108,000)	(165,000)
<b>Net Cash Flow from Operations</b>	<b>109,014</b>	<b>(707,453)</b>	<b>4,389</b>	<b>1,583,198</b>	<b>(257,565)</b>	<b>(20,718)</b>
<i>Cash Flow from Investments</i>						
/+ (Purchase) / sales of PROPERTY, PLANT AND EQUIPMENT						
-/+ (Purchase) / sale of other INVESTMENTS						
<b>Net Cash Flow from Investments</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<i>Cash Flow from Financing</i>						
Subtract increase in PREPAID EXPENSES	0	(90,146)	61,999	10,839	0	0
Add increase in UNEARNED REVENUES	0	1,115,206	(270,504)	(407,269)	0	0
Add increase in CREDITS & LOANS	0	0	220,050	(89,740)	0	0
Subtract DIVIDENDS paid to the owner	0	(21,196)	(3,146)	(8,490)	0	0
<b>Net Cash Flow from Financing</b>	<b>0</b>	<b>1,003,864</b>	<b>8,399</b>	<b>(494,661)</b>	<b>0</b>	<b>0</b>
<b>Net Cash Flow for the Period</b>	<b>109,014</b>	<b>296,411</b>	<b>12,788</b>	<b>1,088,537</b>	<b>(257,565)</b>	<b>(20,718)</b>
<b>BEGINING Cash</b>		<b>362,375</b>	<b>658,786</b>	<b>671,574</b>	<b>1,760,111</b>	<b>1,502,546</b>
<b>ENDING Cash</b>	<b>362,375</b>	<b>658,786</b>	<b>671,574</b>	<b>1,760,111</b>	<b>1,502,546</b>	<b>1,481,828</b>

257

## Key Ratios URBIS Baia Mare

RA URBIS Baia Mare	1994	1995	1996	1997	1998
<b><u>Vulnerability</u></b>					
Subsides cover of CF from Operations	neg CF	100 0%	100 0%	neg CF	neg CF
Subsides cover of Payroll	31 7%	51 4%	30 1%	13 9%	10 2%
w/out labor burden	41 6%	68 0%	39 8%	19 9%	14 5%
Net CF from Ops as % of Payroll	neg CF	0 1%	10 8%	neg CF	neg CF
w/out labor burden	neg CF	neg CF	14 3%	neg CF	neg CF
Net CF from Ops as % of Raw Materials	neg CF	0 1%	9 1%	neg CF	neg CF
<b><u>Profitability</u></b>					
* operating Profit Margin	0 4%	0 2%	4 1%	5 7%	-2 9%
* gross margin	4 0%	0 2%	4 3%	5 9%	3 1%
<b><u>Leverage</u></b>					
* debt to assets	5 3%	5 3%	6 6%	8 5%	9 6%
w/out A/C Rec	5 7%	5 7%	7 2%	9 3%	10 6%
* debt to revenues ( core activ)	13 3%	29 1%	12 4%	12 7%	10 6%
w/out subsidies	14 4%	37 0%	14 2%	13 6%	11 1%
* net CF % of TOTAL LIABILITIES	9 2%	0 2%	17 0%	neg CF	neg CF
<b><u>Liquidity</u></b>					
* current ratio	153 2%	163 5%	219 2%	184 7%	170 4%
<b><u>Turns (days)</u></b>					
	360				
* collection period	84	203	70	58	43
* days sales in cash	8	8	12	8	6
* payable period	32	73	33	34	29
<b><u>Others</u></b>					
*energy & water % of total costs	30 9%	22 0%	23 7%	40 9%	41 7%
* sal % of total costs	31 4%	31 4%	30 7%	44 0%	44 1%
* subsidies % of total costs	13 1%	21 3%	12 2%	6 1%	4 5%
* subsidies % of turnover	15 5%	30 5%	15 9%	7 6%	5 4%

258