

THE WARSAW ANNUAL REPORT 2019



Dear Readers,

We are giving you the most recent edition of “The Warsaw Annual Report”, which is a collection of concise information about the financial standing of the City of Warsaw in 2019.

The Report presents the balance sheet and budget of the City of Warsaw, which was approved by the Regional Chamber of Audit in Warsaw, and confirmed by way of an unqualified opinion of a statutory auditor. International rating agencies endorsed the positive assessment, placing emphasis on a secure finance management model, moderate debt level, and a stable outlook of the City’s financial liquidity level.

It is worth stressing that in 2019 we placed special emphasis on providing funds for education, municipal waste management and community projects related to, for example, increasing the number of places and free care in municipal crèches, vaccinations, increasing support as part of the in vitro fertilization programme, and environmental projects, including the removal of outworn boilers. We have also been caring about the future by implementing our multi-annual investment programme, including municipal infrastructure projects related to, i.a., the extension of Metro Line 2.

“The Warsaw Annual Report” is addressed to residents, investors, representatives of financial institutions, NGOs, and other persons, with particular attention to the transparency of the financial management of the City of Warsaw.



Mirosław Czekaj
City of Warsaw Treasurer



Rafał Trzaskowski
Mayor of Warsaw

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The City of Warsaw authorities in 2019

Mayor of Warsaw	– RAFAŁ TRZASKOWSKI
Deputy Mayor of Warsaw	– PAWEŁ RABIEJ
Deputy Mayor of Warsaw	– ROBERT SOSZYŃSKI
Deputy Mayor of Warsaw	– MICHAŁ OLSZEWSKI
Deputy Mayor of Warsaw	– RENATA KAZNOWSKA
City Clerk	– MARCIN WOJDAT
Treasurer	– MIROSŁAW CZEKAJ
Municipality Director	– ELŻBIETA MARKOWSKA
Acting Coordinator for Culture and Social Communication	– ALDONA MACHNOWSKA-GÓRA
Acting Coordinator for Sustainable Development and Greenery	– JUSTYNA GLUSMAN

THE WARSAW CITY COUNCIL

The Board of the Council

Chairperson of the City Council	– EWA DOROTA MALINOWSKA-GRUPIŃSKA
Deputy Chairperson of the City Council	– DARIUSZ FIGURA
Deputy Chairperson of the City Council	– SŁAWOMIR POTAPOWICZ
Deputy Chairperson of the City Council	– ALEKSANDRA GAJEWSKA (until 21/10/2019)

Other Councillors

Anna Auksel-Sekutowicz
Maciej Binkowski
Agnieszka Borowska
Mariusz Budziszewski
Jacek Cieřlikowski
Agata Diduszko-Zyglewska
Joanna Dymowska
Dariusz Dziekanowski
Mariusz Frankowski
Filip Frąckowiak
Patrik Górski
Tomasz Herbich
Agnieszka Jaczewska-Golińska
Ewa Janczar
Monika Jaruzelska
Cezary Jurkiewicz
Jarosław Kaczyński
Sebastian Kaleta ([until 21/10/2019](#))
Sebastian Kędzierski ([until 14/11/2019](#))
Wiktor Klimiuk
Andrzej Kropiwnicki
Renata Królak ([since 14/11/2019](#))
Oliwer Kubicki
Dariusz Lasocki
Paweł Lech
Dorota Lutomirska
Dorota Łoboda
Maria Łukaszewicz
Piotr Mazurek (KO)
Piotr Mazurek (PIS)

Beata Michalec
Anna Nehrebecka-Byczewska
Renata Niewitecka
Jacek Ozdoba ([until 21/10/2019](#))
Iwona Pawłowska
Kacper Pietrusiński
Błażej Poboży
Magdalena Roguska
Tadeusz Ross
Paweł Sawicki
Olga Semeniuk
Monika Sobczak
Joanna Staniszkis
Tomasz Sybilski
Marek Szolc
Jarosław Szostakowski
Michał Szpądrovski
Gabriela Szustek
Piotr Szyszko ([since 14/11/2019](#))
Aleksandra Śniegocka-Goździk
Joanna Wiśniewska-Najgebauer
Iwona Wujastyk
Agnieszka Wyrwał
Maciej Wyszyński
Justyna Zając
Małgorzata Zakrzewska
Piotr Źbikowski
Alicja Źebrowska
Tomasz Źyłka

Independent Auditor's Report

*Auditor's report on the financial statements of the City of Warsaw
for the period from 1 January 2019 to 31 December 2019*

INDEPENDENT AUDITOR'S REPORT ON ANNUAL FINANCIAL STATEMENTS PREPARED BY

THE CITY OF WARSAW

with its registered office in Warsaw (00-950), at Plac Bankowy 3/5

for the Warsaw City Council

Report on annual financial statements

Opinion

We have audited the annual financial statements prepared by a local government entity - **City of Warsaw** ("the Entity"), which include the budget-implementation balance sheet prepared as at 31 December 2019, the consolidated balance sheet as at 31 December 2019, the consolidated profit and loss account for the financial year between 1 January and 31 December 2019, the consolidated statement of changes in equity for the financial year between 1 January and 31 December 2019 and additional notes ("the Financial Statements").

In our view, the attached financial statements:

- present a true and fair view of the assets and liabilities, and financial standing of the City of Warsaw as at 31 December 2019, and its financial results for the financial year ending on that day, pursuant to the applicable provisions of the Accounting Act of 29 September 1994 ("the Accounting Act" - Journal of Laws of 2019, item 351), and in line with the adopted accounting principles (policy).
- are compliant with the laws and the bylaws applicable to the Entity; as regards the form and the contents;
- were prepared based on books of accounts which have been kept correctly pursuant to the provisions of Chapter 2 of the Accounting Act.

Wykonawca badania:



KPW

Audyt

KPW Audyt Sp. z o.o.
ul. Tymienieckiego 25C/410
00-350 Łódź



Instytut Studiów Podatkowych
Modelewski i Wspólnicy – Audyt Sp. z o.o.
ul. Katowicka 8
04-367 Warszawa

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This opinion is consistent with the additional report for the Audit Committee issued on 22 June 2020.

Grounds for the opinion

The audit was performed in line with the International Standards on Auditing adopted as National Auditing Standards by way of Resolution No. 3430/52a/2019 of the National Council of Statutory Auditors dated 21 March 2019 r. on the national auditing standards and other documents (hereinafter: "NAS"), and pursuant to the Act of 11 May 2017 on statutory auditors, audit firms and public oversight (hereinafter: "The Act on Statutory Auditors" - Journal of Laws of 2019, item 1421, as amended), and Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities ("EU Regulation" - OJ EU L158). Our responsibility, in accordance with these standards, is further described in the section of our report entitled.

Auditor's Responsibilities for the Audit of the Financial Statements.

We are independent of the Entity in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by IFAC (IESBA) adopted by resolution of the National Council of Statutory Auditors No. 3431/52a/2019 of 25 March 2019 on the professional ethics standards applicable to statutory auditors. We have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. During the course of the audit, the key auditor and the audit firm remained independent of the Entity, in accordance with the independence requirements set out in the Act on statutory auditors.

We firmly believe that the audit evidence obtained is sufficient and appropriate to provide the basis for the opinion.

Emphasis of matter

We draw attention to Note II.3.3 in additional notes which includes information about a significant event regarding the global situation related to the COVID-19 pandemic and its potential effect on the operation of the Entity in the coming months. Our opinion is not qualified in respect of this matter.

Other matters

The financial statements of the Entity for year ended 31 December 2018 were audited by a consortium composed of: KPW Audyt Sp. z o.o. - statutory auditor Krzysztof Warczak (registry number 11 939) and ISP Modzelewski i Wspólnicy Audyt Sp. z o.o. - statutory auditor Stanisław Michrowski (registry number 10 257), who issued an unqualified opinion on the said statements on 15 May 2019.

Wykonawca badania:



KPW Audyt Sp. z o.o.
audyt. ul. Tytmienieckiego 25C/410
90-350 Łódź



Institut Studiów Podatkowych
Modzelewski i Wspólnicy - Audyt Sp. z o.o.
ul. Kalenicka 8
04-367 Warszawa

3 | S T R O N A

Key audit matters

Key audit matters are those matters which, in our professional judgement, were the most significant during the audit of the financial statements for the current reporting period. They include the most significant assessed risks of material misstatement, including the assessed risks of material misstatement due to fraud. We addressed these matters in the context of our audit of the financial statements as a whole, and in the course of preparing our opinion, and summarised our response to these risks and, where we felt appropriate, made key observations in relation to these risks. We did not express separate opinions on the matters.

Key audit matter	How the matter was addressed in our audit
<p>FIXED ASSETS:</p> <p>The correctness of entries in the books of accounts, and the valuation of fixed assets.</p> <p>This item is significant from the perspective of auditing the entire financial statement. As at 31 December 2019 fixed assets were valued at PLN 27,409,770,956.67, and account for 68.32% of the balance sheet total.</p> <p>Given the above, we considered this to be the key matter in the audit procedure.</p>	<p>As regards the said key matter, our audit procedures included</p> <ul style="list-style-type: none"> the analysis of relevant accounting policies and procedures, including the internal control environment, related to the valuation process applied to individual elements which comprise the "Fixed assets" balance sheet item; the verification of applying the aforementioned accounting principles in selected organisational units of the City of Warsaw; queries related to the applied valuation methods and procedures, addressed to the Entity's Management; the following audit procedures on a specified sample, including <ul style="list-style-type: none"> the verification of entries in books of accounts concerning accounts related to fixed assets, the correctness of accounting for increases and reductions in the year covered by the audit, the verification of the stocktaking procedure and the methods of its settlement. <p>As a result of conducting the procedures, no material irregularities, which would result in the need to modify the audit opinion, were found.</p>

Wykonawca badania:



KPW

Audit

KPW Audyt Sp. z o.o.
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04-367 Warszawa

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<p>LONG-TERM FINANCIAL ASSETS - STOCKS AND SHARES</p> <p>The correctness of entries in the books of accounts, the existence and valuation in the balance sheet of stocks and shares in subsidiaries.</p> <p>This item is substantial from the perspective of the audited financial statements, but it is not directly related to current operating activities.</p> <p>As at 31 December 2019, the value of stocks and shares in subsidiaries was estimated at the total amount of PLN 4,779,030,942.40, which accounts for the 11.91% of the balance sheet total.</p> <p>Given the above, we considered this to be the key matter in the audit procedure.</p>	<p>As regards the said key matter, our audit procedures included</p> <ul style="list-style-type: none"> • the analysis of relevant accounting policies and procedures, including the internal control environment, related to the valuation of long-term financial assets; • queries related to the applied assumptions related to the valuation of shares in subsidiaries, addressed to the Entity's Management, • the following audit procedure, including: <ul style="list-style-type: none"> • the review of the consistency of the valuation methods applied to date; • the verification of entries in the books of accounts concerning long-term financial assets; • the verification of the existing write-downs of long-term financial assets. <p>As a result of conducting the procedures, no material irregularities, which would result in the need to modify the audit opinion, were found.</p>
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Wykonawca badania



KPW

Audyt

KPW Audyt Sp. z o.o.
ul. Tymszeńskiego 25C/450
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04-267 Warszawa

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<p>PROVISIONS FOR LIABILITIES</p> <p>The correctness of entries in the books of accounts, the existence and valuation of provisions for liabilities in the balance sheet.</p> <p>This item is substantial from the perspective of the audited financial statements, but it is not directly related to current operating activities.</p> <p>As at 31 December 2019, the value of provisions for liabilities was estimated at the total amount of PLN 5,524,210,824.03, which accounts for the 13.77% of the balance sheet total.</p> <p>Given the above, we considered this to be the key matter in the audit procedure.</p>	<p>As regards the said key matter, our audit procedures included</p> <ul style="list-style-type: none"> the analysis of relevant accounting policies and procedures, including the internal control environment, related to the procedures of estimating and valuation of provisions for liabilities, taking into consideration contingent liabilities; queries addressed to the Entity's management related to the adopted assumptions regarding the estimation and valuation of provisions for liabilities; the following audit procedure, including: <ul style="list-style-type: none"> the review of the consistency of the valuation methods applied to date; the verification of entries in the books of accounts concerning long-term financial assets; verification of information on contentious issues obtained from, i.a., the legal department; review of the principles and the methodological soundness of applying them, and of qualifying individual issues as provisions or as contingent liabilities. <p>As a result of conducting the procedures, no material irregularities, which would result in the need to modify the audit opinion, were found.</p>
<p>FINANCIAL LIABILITIES</p> <p>The correctness of entries in the books of accounts, the existence and valuation of financial liabilities from loans and bonds.</p> <p>This is the most important item as regards the budget-implementation balance sheet total.</p> <p>Given the above, we considered this to be the key matter in the audit procedure.</p>	<p>As regards the said key matter, our audit procedures included</p> <ul style="list-style-type: none"> the review of the consistency of the valuation principles and methodologies applied to date; the verification of entries in the books of accounts related to the area subject to analysis; the verification of the correct division of these liabilities into short-term and long-term liabilities. <p>As a result of conducting the procedures, no material irregularities, which would result in the need to modify the audit opinion, were found.</p>

Wykonawca badania:



KPW

Audyt

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5 | STRONA

The responsibility of the Mayor and the Audit Committee

The Mayor of Warsaw ("Head of Entity") is responsible for preparing the financial statements, based on the correctly kept books of accounts, which present a true and fair view of the Entity's assets and liabilities, its financial standing, and the financial results of the Entity, pursuant to the Accounting Act, the adopted accounting principles (policy), and the laws and bylaws applicable to the Entity, as well as for internal control which the Head of Entity deems necessary to facilitate the preparation of the financial statements which are free from any material misstatements, whether due to fraud or error.

In preparing the financial statements, the Head of Entity is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Head of Entity either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

The Head of Entity and the members of the Audit Committee are responsible for ensuring that the financial statements meet the requirements laid down in the Accounting Act. The Members of the Audit Committee are responsible for overseeing the financial reporting process in the Entity.

Auditor's responsibility for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement due to fraud or error, and to issue an independent auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not guarantee that an audit conducted in accordance with NAS will always detect material misstatement when it exists. Misstatements may arise as a result of fraud or error and are considered material if it can reasonably be expected that individually or in the aggregate, they could influence the economic decisions of the users, taken on the basis of these financial statements.

The scope of the audit does not include assurance on the future profitability of the Entity, nor effectiveness of conducting its matters at present and in the future by the Head of Entity.

Wykonawca badania:



KPW

Audit

KPW Audit Sp. z o.o.
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Throughout the audit in accordance with NAS, we exercise professional judgement, maintain professional scepticism, and we also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or circumvention of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control;
- evaluate the appropriateness of accounting principles (policy) used, and the reasonableness of accounting estimates and related disclosures made by the Head of Entity;
- conclude on the appropriateness of the Head of Entity's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our independent auditor's report to the related disclosures in the financial statements or, if such entries are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our independent auditor's report; however, future events or conditions may cause the Company to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the financial statements, including the entries, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair representation.

We communicate with the members of the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We provide the members of the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate to them all relationships and other matters that may reasonably be thought to affect our independence, and where applicable, related safeguards.

Wykonawca badania



KPW Audyt Sp. z o.o.
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80-350 Łódź



Instytut Studiów Podatkowych
Modzelewski i Wspólnicy – Audyt Sp. z o.o.
ul. Kałajska 8
04-367 Warszawa

8 | Z E F O R A

From the matters communicated to the members of the Audit Committee, we determined those matters that were of most significance in the audit of the financial statements for the current reporting period, and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure of the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Statement on the provision of non-audit services

We represent that, to the best of our knowledge and belief, we have not provided to the Entity any prohibited non-audit services, as referred to in Article 5(1) of the EU Regulation and Article 136 of the Act on Statutory Auditors.

Selection of the audit firm

We were appointed for the audit of the Entity's financial statements based on the Resolution No. LXXVII/2175/2018 of the Warsaw City Council dated 8 November 2018. The Entity's financial statements were audited by our firm for the second time.

Wykonawca badania:



KPW

Audyt

KPW Audyt Sp. z o.o.
ul. Tymienieckiego 25C/410
90-350 Łódź



Instytut Studiów Podatkowych
Moczeńkowski i Wspólnicy - Audyt Sp. z o.o.
ul. Kosińskiego 8
04-367 Warszawa

9 | S E R I E

Auditor's report on the financial statements of the City of Warsaw
for the period from 1 January 2019 to 31 December 2019

Krzysztof Warczak and Stanisław Michrowski are key auditors responsible for performing the audit which is the subject of this independent auditor report, acting on behalf of Consortium composed of KPW Audyt Sp. z o.o. with its registered office in Łódź (90-350), at Tymienieckiego 25C/410, entered in the audit firm register under No. 4116, and Instytut Studiów Podatkowych Modzelewski i Wspólnicy - Audyt Sp. z o.o. with its registered office in Warsaw (04-367), at Kaleńska 8, entered in the register of audit firms under No. 2558, on behalf of which the key auditors audited the financial statements.

KPW Audyt Sp. z o.o.

ul. Tymienieckiego 25C/410; 90-350 Łódź


Electronic signature affixed by
Krzysztof Marek Warczak
Date: 22/06/2020 14:54:28 +02'00'

Krzysztof Warczak

Key Statutory Auditor No. 11 939

Instytut Studiów Podatkowych

Modzelewski i Wspólnicy – Audyt Sp. z o.o.

[Institute for Tax Studies]

ul. Kaleńska 8; 04-367 Warszawa


Document signed by
Stanisław Michrowski.
Date: 22/06/2020
15:08:12 CEST

Stanisław Michrowski

Key Statutory Auditor No. 10 275



KPW Audyt Sp. z o.o. is entered in the register of audit firms
kept by the National Council of Statutory Auditors
under No. 4116



Instytut Studiów Podatkowych Modzelewski i Wspólnicy – Audyt Sp. z o.o.
is entered in the register of audit firms kept by the
National Council of Statutory Auditors
under No. 2558

Łódź, Warsaw, 22 June 2020

Wykonawca badania:



KPW Audyt Sp. z o.o.
ul. Tymienieckiego 25C/410
90-350 Łódź



Instytut Studiów Podatkowych
Modzelewski i Wspólnicy – Audyt Sp. z o.o.
ul. Kaleńska 8
04-367 Warszawa

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Opinion of the Regional Chamber of Audit in Warsaw

RESOLUTION No. Wa.174.2020 of the Adjudicating Panel of the Regional Chamber of Audit in Warsaw dated 21 April 2020

on issuing an opinion on the Report on the implementation of the budget for 2019 submitted by
the Mayor of Warsaw

Pursuant to Article 13(5) in conjunction with Article 19(2) of the Act of 7 October 1992 on Regional Chambers of Audit (consolidated text, Journal of Laws of 2019, item 2137), the **Adjudicating Panel of the Regional Chamber of Audit in Warsaw**, composed of

Chairperson -Agata Pączkowska
Members -Karolina Aszkielowicz
-Konrad Pachocki

hereby resolves as follows

§ 1

The Adjudicating Panel **approves** the Report on the implementation of the City of Warsaw budget for 2019.

§ 2

The statement of reasons shall form an integral part of the resolution.

§ 3

The City of Warsaw may appeal against this Resolution to the Committee of the Regional Chamber of Audit in Warsaw within the 14 day of service hereof.

Statement of reasons

On 31 March 2020, a Report on the implementation of the City of Warsaw budget for 2019 was submitted to the Regional Chamber of Audit in Warsaw, as attachment to letter with reference No. PB.PB 5.3035.3.2020.AST dated 31 March 2020.

The Adjudicating Panel of the Regional Chamber of Audit in Warsaw analysed the aforementioned report, and compared it with the source documents filed with the Chamber. Following these activities, the Panel found that:

The City of Warsaw budget for 2019 adopted by the Warsaw City Council, taking into consideration the amendments made throughout the year, provided for the planned income of PLN 17,985,110,227.00. The income received by the City amounted to PLN 18,109,406,599.27, which corresponds to 100.69% of the plan. The City obtained current income corresponding to 100.04% of the plan.

The performance under property-related income amounted to 120.95% of the planned value. The narrative part includes information on the performance under income divided by sources and by budget classification sections.

Pursuant to Article 6r(2e) of the Act of 13 September 1996 on maintaining cleanliness and order in communes (Journal of Laws of 2019, item 2010, as amended), the budget-implementation report included information about the income obtained from waste management charges and expenditures incurred on the operation of the municipal waste management system, together with the costs listed in Article 6r(2) through (2c) of the said Act:

- Income (Section 90002 - § 049) plan - PLN 675,000,000.00; performance - PLN 326,350,793.42;
- Expenditures (Section 90002) plan PLN 923,306,959.00; performance - PLN 817,675,959.41.

The liabilities, according to debt titles for the 2019 reporting year amounted to PLN 3,895,705,252.74 (21.51% of the total revenue performed), and were reduced in relation to the previous year (2018) by PLN 673,553,212.05. The liabilities include loans and borrowings of PLN 2,895,904,436.60 taken in previous years, and securities in the amount of PLN 999,411,000.00.

The budget adopted by the Warsaw City Council, taking into consideration the amendments, provided for the planned expenditures of PLN 19,749,762,449.00.

The total expenditures made by the City amounted to PLN 18,715,018,721.98, which corresponds to 94.76% of the plan, including

- a) current expenditures performed at 95.78% of the amended plan, and
- b) property-related expenditures performed at 88.27% of the amended plan.

The revenues amount to PLN 3,741,094,665.00, and are fully composed of available funds, referred to in Article 217(2)(6) of the Public Finance Act of 27 August 2009 (Journal of Laws of 2019, item 869, as amended). The performance under expenses for credit and loan repayments and transfers to deposit accounts was PLN 673,764,853.03 which is 37.99% of the planned value.

The year 2019 was closed with a budget deficit of PLN 605,612,122.71. The adopted budget plan provided for a deficit of PLN 1,764,652,222.00.

The performance under current expenditures as at 31 December 2019 was lower than the performance under current revenues increased by available funds referred to in Article 217(2)(6) of the Public Finance Act. Therefore, the requirement laid down in Article 242(2) of the Public Finance Act was fulfilled.

Based on the data shown in the report subject to the opinion, and the data shown in Rb-28S budget report as at the end of 2019, it can be stated that the performance under expenditures in individual budget classification sections has not exceeded the planned values.

Information on the implementation of financial plans by cultural institutions, and the report on the implementation of financial plans by independent state healthcare centres was appended to the Report.

In the view of the Adjudicating Panel, the report meets the requirements defined in applicable legal regulations. It should be also pointed out that the Panel evaluated the report in terms of its compliance with the law, while the evaluation of the Mayor's activities in the field of the budget implementation degree, its cost-effectiveness and purposefulness falls within the jurisdiction of the City's decision-making body.

Given the above, the Adjudicating Panel of the Regional Chamber of Audit in Warsaw resolves as stated above.

PRZEWODNICZĄCA
Składu Orzekającego
Regionalnej Izby Obrachunkowej
w Warszawie
Agata Pączkowska

Income and expenditures in the City Budget in 2019 according to budgetary classification

The following values were expressed in thousand PLN

	INCOME	EXPENDITUR
010 Agriculture and hunting	42	64
020 Forestry	873	14,548
400 Electricity, gas and water production and supply	3	3,435
500 Trade	0	108
600 Transport and connectivity	1,826,255	4,674,075
630 Tourism	57	7,309
700 Housing management	1,598,584	1,267,142
710 Services	36,403	76,876
730 Higher education and science	0	1,469
750 Public administration	48,014	1,314,003
751 Offices of bodies of central state authority, control, law and the judiciary	8,978	8,978
752 National defence	1,406	1,406
754 State security and firefighting	116,461	307,565
755 Law enforcement bodies	2,284	2,286
756 Revenue from legal persons, natural persons and other entities without a legal personality, and collection-related expenditures	9,546,611	0
757 Public debt servicing	0	180,802
758 Miscellaneous settlements	2,346,889	1,058,177
801 Education and upbringing	145,733	4,245,698
851 Healthcare	16,100	261,059
852 Welfare	136,090	585,891
853 Other tasks in social policy	35,628	68,908
854 Educational upbringing care	11,055	494,830
855 Family	1,747,403	2,040,018
900 Municipal services and environmental protection	398,157	1,159,520
921 Culture and national heritage protection	6,119	623,285
925 Botanic and zoological gardens, natural protection areas and objects	21,188	66,199
926 Physical culture	59,074	251,369
DEFICIT SETTLEMENT		
Income		18,109,407
Expenditures		18,715,019
Deficit		-605,612

City Budget income between 2017 and 2019, by sources

The following values were expressed in thousand PLN

	2017	2018	2019
I. OWN INCOME	5,863,331	6,174,894	5,738,843
Income from taxes	1,911,391	1,916,012	1,940,604
Receipt from fees	587,342	609,429	627,154
Income from assets	1,362,812	1,367,594	1,244,624
Other own income	2,001,786	2,281,860	1,926,462
II. OTHER INCOME [SHARES, SUBSIDIES, GRANTS, FUNDS FROM FOREIGN AND OTHER SOURCES]	9,613,389	10,866,428	12,370,564
Share in state budget revenue	5,765,312	6,657,980	7,288,852
Subsidies	1,838,161	2,024,481	2,278,936
State budget funds allocated for own tasks	174,730	175,407	180,005
Funds from foreign and other sources	464,428	614,431	594,044
State budget funds allocated for delegated tasks	1,291,206	1,304,602	1,930,786
Targeted subsidies made on the basis of agreements	79,552	89,528	97,096
TOTAL INCOME	15,476,720	17,041,322	18,109,407

Income and revenues in the City Budget between 2017 and 2019

The following values were expressed in thousand PLN

	2017	2018	2019
I. TOTAL CITY BUDGET INCOME	15,476,720	17,041,322	18,109,407
including			
Income from	14,105,962	15,647,193	16,081,526
own tasks	5,863,331	6,174,894	5,738,843
shares	5,765,312	6,657,980	7,288,852
subsidies	1,838,161	2,024,481	2,278,936
funds allocated for own tasks	174,730	175,407	180,005
funds from foreign and other sources	464,428	614,431	594,044
financial support between local government units	0	0	846
Targeted subsidies for delegated tasks	1,291,206	1,304,602	1,930,786
Targeted subsidies made on the basis of agreements	79,552	89,528	97,096
II. CITY BUDGET REVENUE	4,216,121	3,878,978	3,741,095
including			
receipts from other domestic transactions	4,216,121	3,878,978	3,741,095
III. BUDGETARY ENTERPRISE REVENUE	276,834	267,967	213,396
IV. OWN INCOME OF BUDGETARY ENTITIES	153,441	175,549	181,678

City Budget expenditures and outgoings between 2017 and 2019

The following values were expressed in thousand PLN

	2017	2018	2019
I. TOTAL CITY BUDGET EXPENDITURE	15,271,678	16,622,274	18,715,019
including			
Current expenditures	13,331,293	14,433,201	16,339,961
including			
Remuneration and remuneration derivatives	4,260,773	4,687,711	5,243,555
subsidies	2,024,947	2,285,293	2,529,839
In-kind expenditure	6,818,018	7,255,770	8,385,765
Debt servicing	226,920	204,427	180,802
indemnities and warranties	635	0	0
Asset-related expenditures	1,940,385	2,189,073	2,375,058
including			
shares in companies	101,317	94,552	49,587
subsidies / financial aid	5,124	8,249	1,579
Investments	1,833,944	2,086,272	2,323,892
II. CITY BUDGET OUTGOINGS	3,142,240	2,039,431	673,765
including			
redemption of securities (bonds)	300,000	300,000	600,000
repayments of foreign loans	242,240	256,931	73,765
transfers to deposit accounts	2,600,000	1,482,500	0
III. COSTS AND OTHER BURDENS OF BUDGETARY ENTITIES	271,384	281,444	213,754
IV. EXPENDITURE FINANCED FROM OWN INCOME OF BUDGETARY ENTITIES	152,186	173,238	179,583

State of liabilities of the City of Warsaw between 2017 and 2019

The following values were expressed in PLN

	State as at 31/12/2017	State as at 31/12/2018	State as at 31/12/2019
DEBT LIABILITIES OF THE CITY BUDGET	5,126,113,106	4,569,258,465	3,895,705,253
including			
Loans and borrowings	3,226,692,428	2,969,669,289	2,895,904,436
Bonds	1,899,411,000	1,599,411,000	999,411,000
Liabilities due	9,678	178,176	389,817
THE LIABILITIES OF INDEPENDENT STATE HEALTHCARE CENTRES (SPZOK) FOR WHICH THE CITY IS THE FOUNDING BODY	90,624,483	95,787,834	107,214,128
including			
payable	1,606,442	3,101,498	3,644,102
THE LIABILITIES OF CULTURAL INSTITUTIONS FOR WHICH THE CITY IS THE FOUNDING BODY	31,039,913	30,545,506	32,089,125
including			
payable	85,640	15,688	9,025

Level of debt liabilities of the City of Warsaw between 2017 and 2019 compared to budgetary values and statutory debt limits

The following values were expressed in thousand PLN

	2017	2018	2019
BUDGETARY VALUES			
City budget income	15,476,720	17,041,322	18,109,407
City budget expenditure	15,271,678	16,622,274	18,715,019
Surplus (+) / Deficit (-)	205,042	419,048	-605,612
Budget receipts:	4,216,121	3,878,978	3,741,095
Loans and borrowings	0	0	0
Issue of bonds	0	0	0
privatisation receipts	0	0	0
other sources	4,216,121	3,878,978	3,741,095
Budget outgoings:	3,142,240	2,039,431	673,765
repayment of loans and borrowings	242,240	256,931	73,765
redemption of securities (bonds)	300,000	300,000	600,000
transfers to deposit accounts	2,600,000	1,482,500	0
Debt liabilities level:	5,126,113	4,569,258	3,895,705
Loans and borrowings	3,226,692	2,969,669	2,895,904
Bonds	1,899,411	1,599,411	999,411
Liabilities due	10	178	390
Debt servicing costs during the year:	769,760	761,332	854,545
Interest and discount	226,885	204,401	180,780
repayment of loans and borrowings	242,240	256,931	73,765
redemption of securities (bonds)	300,000	300,000	600,000
other	635	0	0

RATIOS

Debt ratio in %	33.1%	26.8%	21.5%
Debt servicing costs ratio during the year in %	5.0%	4.5%	4.7%

The following values were expressed in PLN

Debt level per 1 resident	2,905	2,570	2,191
Debt servicing costs per 1 resident	436	428	481

Budget-implementation balance sheet of the City of Warsaw as at 31 December 2019

ASSETS

The following values were expressed in PLN

	State as at 31/12/2018	State as at 31/12/2019
I. CASH	3,750,055,462	2,402,098,373
II. RECEIVABLES AND DEFERRED REVENUE	175,417,315	257,325,023
Receivables from budgets	163,679,605	175,779,082
Other receivables and deferred revenue	11,737,710	81,545,941
TOTAL ASSETS	3,925,472,777	2,659,423,395

LIABILITIES

The following values were expressed in PLN

	State as at 31/12/2018	State as at 31/12/2019
I. COMMITMENTS	4,618,507,350	3,940,092,050
Financial commitments	4,596,981,811	3,921,022,410
short-term [up to 12 months]	727,435,183	280,921,726
long-term [over 12 months]	3,869,546,628	3,640,100,684
Budget commitments	11,389,168	8,384,643
Other commitments	10,136,370	10,684,998
II. BUDGET NET ASSETS	-849,034,547	-1,459,505,683
Balance of budget implementation [+, -]	419,047,488	-605,639,744
Budget surplus [+]	419,047,488	0
Budget deficit [-]	0	-605,639,744
Balance of non-cash operations [+, -]	10,184,739	2,021,208
Provision for non-expiring expenditures	6,852,600	0
Cumulative budget balance [+, -]	-1,285,119,374	-855,887,146
III. OTHER LIABILITIES	155,999,974	178,837,028
TOTAL LIABILITIES	3,925,472,777	2,659,423,395

Rating assessment

The financial standing of the City of Warsaw has been assessed by two international **rating agencies**.

NATIONAL RATING

Rating: **AAA (pol) with a stable outlook**

On 05 June 2020, **Fitch Ratings**, the international credit rating agency, **affirmed the national long-term rating of the City of Warsaw at “AAA(pol)” with a stable outlook**. Fitch Ratings has also affirmed the National Long-Term ratings of the city's PLN4 billion bond programme and all bonds issued by the City under it at “AAA(pol)”.

The affirmed rating (based on budget implementation data as at 31 March 2020) reflects Fitch's unchanged view that Warsaw will maintain a sound operating performance and healthy debt ratios in the medium term, despite the projected economic downturn resulting from the coronavirus pandemic, and previous central government decisions regarding the reduction of the first personal income tax threshold and increase of teachers' salaries.

According to the agency, the data received from Polish issuers from the local and regional government sector do not indicate a significant deterioration of their financial standing. However, the negative changes in their income and cost profiles might exacerbate in the coming weeks or months as economic activity suffers and some forms of central government restrictions are maintained or broadened due to the coronavirus pandemic. The longer the pandemic period, the greater impact of restricted economic activities on the financial standing on local and regional governments. Fitch assessed Warsaw's income robustness and ability to generate additional income as “Midrange”. Expenditure sustainability and ability to reduce spending in response to shrinking revenue were assessed as “Stronger”.

Although Fitch assesses Polish legal regulations on debt and liquidity management in local and regional governments as “Midrange”, Warsaw's framework for debt, liquidity and off-balance sheet management was assessed as “Stronger”. Moreover, the agency assesses the city's liquidity framework as ‘Stronger’, despite a lack of emergency liquidity support for local and regional governments from upper tiers of government.

INTERNATIONAL RATING

Rating: **A- with a stable outlook**

On 05 June 2020, **Fitch Ratings**, an international credit rating agency, **affirmed the long-term international rating of Warsaw for debt in local currency (Issuer Default Rating - IDR) at “A-” with a stable outlook.**

This is the highest possible credit rating for a local governmental entity in Poland, equal to the rating of the country. The agency presented grounds for the international rating which correspond to the premises behind the affirmation of the national rating.

Rating: **A2 with a stable outlook**

On 19 December 2019, **Moody’s affirmed the rating of Warsaw’s creditworthiness at A2** on the international scale, with a **stable outlook.**

This is the highest possible credit rating for a local governmental entity in Poland, equal to the rating of the country. The key factors which the agency took into account include Warsaw’s safe finance management model, moderate debt level, the ability to finance investment tasks from own resources and stable financial liquidity.

Contact details

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Documents such as

- draft city budgets,
- draft multi-annual financial forecasts of the City of Warsaw,
- city budgets,
- multi-annual financial forecasts of the City of Warsaw,
- City budget implementation reports,
- Information about the status of multi-annual financial forecasts of the City of Warsaw, including the progress in carrying out multi-annual undertakings for Q1,
- Information about progress in city budget implementation for Q1,
- opinions of the Regional Chamber of Audit,
- assumptions behind draft city budgets,
- financial statements of the City of Warsaw,
- analyses and comparisons,
- and brochures

are available on:

https://bip.warszawa.pl/Menu_przedmiotowe/budzet_polityka_finansowa_v2/default.htm

