

THE ANNUAL REPORT OF THE CITY OF WARSAW FOR **2022.**



Ladies and Gentlemen

We present the next edition of the „Annual Report of the City of Warsaw”, which, as every year, presents synthetic information on the balance sheet and budget of the City of Warsaw - this time as at: 31 December 2022, confirmed by positive opinions of the Regional Chamber of Audit in Warsaw, the opinion of an independent auditor on the audit of the financial statements and ratings agencies.

The year 2022 brought new challenges for Warsaw’s fiscal policy in the form of high inflation, which increased by 14.4% compared to 2021, as well as changes to personal income tax introduced as part of Polski Ład (Polish Deal). As a result of the Polish Deal solutions, Warsaw’s revenue potential has been significantly reduced, and Warsaw has lost around PLN 1.6 billion in PIT revenues after accounting for partial compensation. PIT revenues received in 2022 were at the same level as in 2021, which, together with inflation, led to a real decrease in these revenues by several%. On the other hand, as a result of inflation, the costs of performing the tasks increased, particularly the costs of purchasing energy and public transport passenger services. Following the Russian invasion of Ukraine, a significant new item of expenditure was added to the budget - aid to Ukrainian citizens, financed both from external funds (grants, donations) and from the City’s own resources.

Despite the difficult financial situation, the City of Warsaw has met its targets, including maintaining the quality of city services for residents and ensuring access to these services for refugees from Ukraine. We are implementing our investment programme directed at the development of urban infrastructure, including in the social sphere. The implementation of the financial policy in the new conditions - inflation and war abroad, the energy crisis - required a series of adaptation, efficiency and optimisation measures.

In the „Annual Report of the City of Warsaw”, we present our financial situation to interested residents, investors, representatives of financial institutions, non-governmental organisations and other entities.



Mirosław Czekaj

Treasurer of the City of Warsaw



Rafał Trzaskowski

Mayor of the City of Warsaw

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Warsaw City Council 2022.

Mayor of the City of Warsaw	– RAFAŁ TRZASKOWSKI
Deputy Mayor of the City of Warsaw	– MICHAŁ OLSZEWSKI
Deputy Mayor of the City of Warsaw	– RENATA KAZNOWSKA
Deputy Mayor of the City of Warsaw	– ALDONA MACHNOWSKA-GÓRA
Deputy Mayor of the City of Warsaw	– TOMASZ BRATEK
Secretary of the City of Warsaw	– WŁODZIMIERZ KARPIŃSKI <i>(until 28 February 2023 r.)</i>
Treasurer of the City of Warsaw	– MIROSŁAW CZEKAJ
Director of the Magistrate	– ELŻBIETA MARKOWSKA
Director Coordinator for Green Warsaw	– MAGDALENA MŁOCHOWSKA
Director Coordinator For Entrepreneurship and social dialogue	– KAROLINA ZDRODOWSKA

COUNCIL OF THE CITY OF WARSAW

The Board of the Council

Chairperson of the City of Warsaw	– EWA DOROTA MALINOWSKA-GRUPIŃSKA
Vice-President of the Council City of Warsaw	– DARIUSZ FIGURA <i>(until 13 October 2022 r.)</i>
Vice-President of the Council City of Warsaw	– ALICJA ŻEBROWSKA <i>(from 17 November 2022 r.)</i>
Vice-President of the Council City of Warsaw	– SŁAWOMIR POTAPOWICZ
Vice-President of the Council City of Warsaw	– MAGDALENA ROGUSKA

Other Councillors:

Anna Auksel-Sekutowicz
Maciej Binkowski
Agnieszka Borowska
Mariusz Budziszewski
Jacek Cieślowski
Paweł Czekalski *(from 1 February 2022)*
Agata Diduszko-Zyglewska
Stanisław Dratkiewicz
Joanna Dymowska
Dariusz Dziekanowski
Dariusz Figura
Mariusz Frankowski
Filip Frąckowiak
Patryk Górski
Oskar Hejka
Tomasz Herbich
Agnieszka Jaczewska-Golińska
Ewa Janczar
Monika Jaruzelska
Cezary Jurkiewicz
Jarosław Kaczyński
Sebastian Kędzierski
Wiktor Klimiuk
Andrzej Kropiwnicki
Renata Królak
Oliwer Kubicki
Paweł Lech
Dorota Lutomirska
Dorota Łoboda

Maria Łukaszewicz
Piotr Mazurek (KO)
Piotr Mazurek (PiS)
Beata Michalec
Anna Nehrebecka-Byczewska
Renata Niewitecka
Iwona Pawłowska
Kacper Pietrusiński
Błażej Poboży
Tadeusz Ross *(until 18 January 2022)*
Paweł Sawicki
Olga Semeniuk - Patkowska
Joanna Staniszkis
Tomasz Sybilski
Marek Szolc
Jarosław Szostakowski
Michał Szpąderski
Gabriela Szustek
Piotr Szyszko
Aleksandra Śniegocka-Goździk
Joanna Wiśniewska-Najgebauer
Iwona Wujastyk
Agnieszka Wyrwał
Maciej Wyszyński
Justyna Zając
Małgorzata Zakrzewska
Piotr Żbikowski
Alicja Żebrowska
Tomasz Żyłka

Auditor's opinion

*Audit of the financial statements under Agreement UMIA/KK/B/XI/1/1/2/2021 dated 15/01/2021 between:
the City of Warsaw
and a Consortium of audit companies: KPW Audytor Sp. z o.o., ISP Modzelewski i Wspólnicy - Audyt Sp. z o.o., POL -TAX 2 Sp. z o.o.*

INDEPENDENT AUDITOR'S REPORT ON THE AUDIT OF THE ANNUAL ACCOUNTS OF THE ENTITY

THE CITY OF WARSAW

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

for the Council of the City of Warsaw

Report on the audit of the annual accounts

Opinion

We have audited the annual financial statements of the entity MIASTO STOLĘCZNE WARSZAWA [CITY OF WARSAW] (the "Entity"), which comprise the balance sheet as at 31 December 2022, the combined balance sheet as at 31 December 2022, the combined income statement for the financial year from 01 January to 31 December 2022, the statement of changes in the entity's combined fund for the financial year from 01 January to 31 December 2022 and the notes to the financial statements (the "financial statements").

In our opinion, the accompanying financial statements:

- presents a true and fair view of the financial position of the Entity as at 31 December 2022 and of its financial result for the financial year ended on that date in accordance with the applicable provisions of the Accounting Act of 29 September 1994 ("the Accounting Act" - Journal of Laws of 2023, item 120, as amended) and the accounting principles (policies) adopted;



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- complies in form and content with the applicable laws and the Entity's articles of association Units;
- was drawn up on the basis of properly kept accounts in accordance with the provisions of Chapter 2 of the Accounting Act.

This opinion is consistent with the supplementary report to the Audit Committee that we issued on 12 May 2023.

Basis for opinion

We conducted our audit in accordance with the National Auditing Standards in the wording of the International Auditing Standards adopted by Resolution of the National Council of Statutory Auditors No. 3430/52a/2019 of 21 March 2019 on national auditing standards and other documents, as amended. ("NAS") and in accordance with the Statute on Statutory Auditors, Audit Firms and Public Supervision of 11 May 2017 ("Act on Statutory Auditors" - Journal of Laws of 2022, item 1302, as amended) and EU Ordinance No. 537/2014 of 16 April 2014 on detailed requirements for statutory audits of public-interest entities ("EU Ordinance" - Official Journal of the EU L 158 of 27 May 2014, p. 77, as amended). Our responsibilities under these standards are further described in the section of our report Auditor's Responsibilities for the Audit of the Consolidated Financial Statements.

Responsibility of the auditor for auditing the financial statement.

We are independent of the City of Warsaw in accordance with the International Code of Ethics for Professional Accountants (including the International Standards of Independence) of the International Ethical Standards Board for Accountants (the "IESBA Code") adopted by Resolution of the National Council of Statutory Auditors No. 3431/52a/2019 of 25 March 2019 on the Rules of Professional Ethics for Statutory Auditors, as amended, and other ethical requirements that apply to the audit of financial statements in Poland. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. In the course of conducting the audit, the key



auditor and the audit firm remained independent of the Entity in accordance with the the independence requirements of the Statute on Statutory Auditors and the EU Ordinance.

We believe that the survey evidence we have obtained is sufficient and appropriate to form the basis of our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were most significant when auditing the financial statements for the current reporting period. They include the most significant assessed risks of material misstatement, including assessed risks of material misstatement due to fraud. We have considered these matters throughout our audit of the financial statements. In forming our opinion, we have summarised our response to these risks and made key observations concerning these risks where we considered it appropriate. We do not express a separate opinion on these matters.

Key audit matter	How our study addressed this issue
<p>TANGIBLE FIXED ASSETS :</p> <p>Accuracy of accounting, existence and valuation of fixed assets.</p> <p>This item is relevant to the assessment of the financial statements as a whole. As at 31 December 2022, it amounts to PLN 34,886,463,173.06 and represents 81.32% of the balance sheet total.</p>	<p>Our testing procedures, with reference to the described Key audit matter included, but were not limited to:</p> <ul style="list-style-type: none"> • an analysis of the accounting policies and procedures in place, including the internal control environment, relating to the valuation process for the various elements that make up the items of tangible fixed assets; • verification of the application of the above accounting principles in selected organisational units of the City of Warsaw; • asking the management of the entity questions relating to the valuation methods and procedures used;

<p>Given this information, we considered this to be a key audit issue in the audit process.</p>	<ul style="list-style-type: none"> • the following test procedures performed on an established sample, including but not limited to: <ul style="list-style-type: none"> • verification of the accounting entries relating to fixed assets; • the accuracy of the recording of additions and deductions during the year under review; • verification of the inventory process and how it was carried out. <p>As a result of the procedures carried out, no significant irregularities were found which would necessitate a change in the audit opinion on the financial statements.</p>
<p>NON-CURRENT FINANCIAL ASSETS - STOCKS AND SHARES:</p> <p>Accuracy of the accounting treatment of shares in subsidiaries, their existence and valuation in the balance sheet.</p> <p>This item is very important for the audited financial statements and is not directly related to day-to-day operations.</p> <p>As at 31 December 2022, the value of shares in subsidiaries was estimated at a total of PLN 5,557,145,013.13, representing 12.96% of the balance sheet total.</p> <p>Therefore, we considered this a key audit matter in the audit process.</p>	<p>Our testing procedures for the described Key audit matters included, but were not limited to:</p> <ul style="list-style-type: none"> • an analysis of the accounting policies and procedures in place, including the internal control environment related to the valuation process for long-term financial assets; • asking the entity's management questions about the assumptions used in valuing its interests in subsidiaries; • the following test procedures, including, inter alia the following: <ul style="list-style-type: none"> • reviewing the continuity of existing valuation principles; • verification of the accounting entries relating to non-current financial assets; • verification of the value of impairment losses on long-term financial assets. <p>As a result of the procedures carried out, no significant irregularities were found which would necessitate a change in the audit opinion.</p>



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<p>PROVISIONS FOR LIABILITIES:</p> <p>Accuracy of accounting, existence and valuation of provisions in the balance sheet.</p> <p>This item is very important for the audited financial statements and is not directly related to day-to-day operations.</p> <p>As at 31 December 2022, the total value of provisions for liabilities was estimated at a total of 1,995,137,077.18, representing 4.65% of the balance sheet total.</p> <p>Therefore, we considered this a key audit matter in the audit process.</p>	<p>The key audit matters described in our testing procedures included, inter alia:</p> <ul style="list-style-type: none"> • an analysis of the accounting policies and procedures in place, including the internal control environment, relating to the estimation and measurement of provisions, including contingent liabilities; • ask questions of the entity's management about the assumptions used to estimate and determine provisions for liabilities; • the following test procedures, including inter alia: <ul style="list-style-type: none"> • checking the continuity of existing valuation principles; • verification of the entries in the accounting records relating to the accounts for provisions for liabilities; • verification of, inter alia, the legal information received from the department concerning litigation; • checking the principles and methodological application of their application in recognising and classifying individual cases as provisions or contingent liabilities.
<p>FINANCIAL COMMITMENTS:</p> <p>The accuracy of the accounting recognition, existence and valuation of financial liabilities arising from loans and bonds.</p> <p>This item is the most significant in terms of the balance sheet total for the budget execution.</p>	<p>Our testing procedures for the described Key audit matters included, but were not limited to:</p> <ul style="list-style-type: none"> • checking the continuity of existing methodology and valuation principles; • verification of the accounting records relating to the area under review; • verification that these debts are correctly divided into short-term and long-term components. <p>As a result of the procedures carried out, no significant irregularities were found which would necessitate a change in the audit opinion.</p>

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Therefore, we considered this a key audit matter in the audit process.

As a result of the procedures carried out, no significant irregularities were found which would necessitate a change in the audit opinion.

Additional issue - the scope of the study

The Entity's financial statements for the previous year ended 31 December 2021 were audited by a consortium of audit firms comprising: KPW Audytor Sp. z o.o., Instytut Studiów Podatkowych Modzelewski i Wspólnicy - Audyt Sp. z o.o. and POL-TAX 2 Sp. z o.o., and the Key Auditors for the audit of the financial statements of the City of Warsaw for 2021 were Magdalena Leśniewicz (reg. no. 13 064), Marzena Warchoń (reg. no. 13 523) and Magdalena Kozłowska (reg. no. 11 553), representing the audit firm POL-TAX 2 Sp. z o.o., who issued an unqualified opinion on the report on 16 May 2022.

Responsibility of the President and the Audit Committee for the financial statements

The Mayor of the City of Warsaw (hereinafter: "Head of the Entity") is responsible for the preparation, on the basis of adequately maintained accounting books, of financial statements that give a true and fair view of the assets, financial position and profit or loss of the Entity in accordance with the provisions of the Accounting Act, the accounting principles (policies) adopted and the laws and statutes applicable to the Unit, and for such internal control as the Head of the Entity determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Head of the Entity is responsible for assessing the Entity's ability to continue as a going concern, disclosing, where applicable, matters relating to



going concern and for adopting the going concern basis of accounting, except where the Head of the Entity either intends to liquidate the Entity or to cease operations or has no realistic alternative to liquidate or cease operations.

The Head of the Entity and the members of the Audit Committee are responsible for ensuring that the financial statements meet the requirements of the Accounting Statute. The members of the Audit Committee are responsible for overseeing the Entity's financial reporting process.

Responsibility of the auditor for auditing the financial statement

Our goal is to obtain rational certainty whether the financial statement, as a whole, is free of any significant misrepresentations caused by fraud or error, and issue a review report containing our opinion. Reasonable certainty is a high level of certainty but does not guarantee that the audit carried out pursuant to the National Audit Standards shall always detect the existing relevant distortion. Misrepresentations can result from fraud or error and are considered material if they can reasonably be expected to affect, individually or in the aggregate, the financial decisions of users taken on the basis of the financial statements.

The scope of the audit does not include assurance as to the future viability of the Entity or the efficiency or effectiveness of the conduct of its affairs by the Head of the Entity now or in the future.

We use professional judgement and maintain professional scepticism when investigating in line with the NAS and:

- we identify and assess the risks of material misstatement of the financial statements due to fraud or error, design and perform audit procedures appropriate to those risks and obtain audit evidence that is sufficient and appropriate to form the basis of our opinion. The risk of not detecting a material misstatement resulting from fraud is greater than that resulting from error because



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fraud may involve collusion, forgery, deliberate omissions, misrepresentation or circumvention of internal controls;

- we obtain an understanding of the internal control relevant to the audit to design audit procedures that are appropriate in the circumstances, but not to express an opinion on the effectiveness of the Entity's internal control;
- we assess the appropriateness of the accounting policies used and the reasonableness of the accounting estimates and related disclosures made by the Head of the Entity;
- we conclude on the suitability of the Entity Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether there is a material uncertainty 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 auditor's report to the related disclosures in the financial statements, or if such disclosures are inadequate, we modify our opinion. Our conclusions are based on audit evidence obtained up to the date of our auditor's report, however, future events or conditions may cause the Entity to cease operations as a going concern;
- we assess the financial statements' overall presentation, structure and content, including disclosures, and whether the financial statements give a true and fair view of the underlying transactions and events.

We report to the Audit Committee on, inter alia, the planned scope and timing of the audit and the significant findings of the audit, including any significant internal control weaknesses that we identify during the audit.

We make a statement to the Audit Committee that we have complied with the relevant ethical requirements for independence and that we will inform them of all relationships and other matters that could reasonably be considered to pose a threat to our independence and, where applicable, inform them of the safeguards in place.

Of the matters referred to the Audit Committee, we identified those matters that were most significant during the audit of the financial statements for the current reporting period and have therefore



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identified them as key audit matters. We describe these matters in our auditor's report unless a law or regulation prohibits public disclosure or if, in exceptional circumstances, we determine that the matter should not be presented in our report because the adverse consequences could reasonably be expected to outweigh the public interest benefits of such information.

Report on other legal and regulatory requirements

Statement on non-audit services provided

To the best of our knowledge and belief, we declare that we have not provided non-audit services to the Entity that are prohibited under art. 5 section 1 of Ordinance No. 537 EU and art. 136 of the Statute on Statutory Auditors.

Selection of the audit firm

We were appointed to audit the Entity's financial statements by Resolution No. XLIII/1302/2021 of the Council of the City of Warsaw of 14 January 2021. We audit the Entity's financial statements as part of the consortium of audit firms KPW Audytor Sp. z o.o., Instytut Studiów Podatkowych Modzelewski i Wspólnicy - Audyt Sp. z o.o., POL-TAX 2 Sp. z o.o.



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The key auditors responsible for the audit resulting in this Independent Auditor's Report are Jarosław Wijatkowski and Stanisław Michrowski, acting on behalf of the Consortium:

- **KPW Audytor Sp. z o.o.**, with its registered office in Łódź (90-350), at Tymienieckiego 25C/410 - an audit firm registered under number 3640;
- **Instytut Studiów Podatkowych Modzelewski i Wspólnicy - Audyt Sp. z o.o.**, registered office in Warsaw (04-367), at ul. Kalenska 8 - an audit firm listed under No. 2558;
- **POL-TAX 2 Sp. z o.o.** with its registered office in Warsaw (03-982), at ul. Bora-Komorowskiego 56C/91 - an audit company registered under no. 4090;

on whose behalf the Key Auditors audited the financial statements.

Key Auditor

acting on behalf of:

**Instytut Studiów Podatkowych
Modzelewski i Wspólnicy – Audyt sp. z
o. o.** is registered in the list of audit firms
maintained by the Polish Agency for
Enterprise Development (PAED).
The Audit Oversight
Committee under
number 2558

The document signed by
Stanisław Michrowski
Data: 2023.05.12 19:56:24
CEST

Stanisław Michrowski

Key Auditor No. 10 257

Key Auditor

acting on behalf of:

KPW Audytor Sp. z o.o. is registered on
the list of audit firms maintained by the
Polish Audit Supervision Agency.
under number 3640

Jarosław Jerzy
Wijatkowski

Electronically signed
by Jarosław Jerzy
Wijatkowski
Date: 2023.05.12 21:04:09
+02'00'

Jarosław Wijatkowski

Key Auditor No. 13 294

Łódź, Warsaw, 12 May 2023



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Opinion of the Regional Audit Chamber, Warsaw

Electronically signed by:
Agata Pączkowska
Regional Chamber of Audit in Warsaw on 28 April
2023.

RESOLUTION No. 3.e./374/2023 of the Ruling Panel of the Regional Chamber of Audit in Warsaw

of 28 April 2023.

on issuing an opinion on the report on the budget implementation for 2022 submitted by
the Mayor of the City of Warsaw.

Pursuant to Article 13 **section 5** and Article 19 **section 2** of the Act of 7 October 1992 on Regional Audit Chamber (i.e. Journal of Laws of 2022, item 1668), Article 267 section 3 of the Act of 27 August 2009 on Public Finance (i.e. Journal of Laws of 2022, item 1634 as amended) - the Ruling Body of the Regional Audit Chamber in Warsaw, composed of:

Chairperson - Agata Pączkowska
Members - Kamil Michalak
- Agnieszka Szewc

has decided as follows:

§ 1

Takes a favourable view, with the comment in the explanatory memorandum, of the report on the implementation of the City's budget of the City of Warsaw for the year 2022.

§ 2

The explanatory memorandum forms an integral part of the resolution.

§ 3

This resolution may be appealed to the College of the Regional Audit Chamber in Warsaw within 14 days of the resolution's delivery date.

Justification

On 31 March 2023, the Regional Audit Chamber in Warsaw received the report on the implementation of the budget of the City of Warsaw for 2022. In giving its opinion on the above report, the Adjudicating Composition of the Regional Audit Chamber in Warsaw analysed it and compared it with source documents in the Chamber's possession. As a result of the above, the Chamber concluded the following:

In 2022, the City's budget, after taking into account changes made during the year, provided for a revenue plan of PLN 21,061,684,230.00. City Revenues amounted to PLN 21,653,151,357.06, or 102.81% of the budgeted amount. Current income was realised at 102.76% of the plan.

Property income was realised at 103.82% of the planned volume. The descriptive information discusses the degree of realisation of revenues by source and by budget classification headings.

After the modifications made, the budget expenditure plan in 2022 amounted to PLN 22,231,019,396.00.

Total expenditures were realised in the amount of PLN 21,156,506,057.18, which is 95.17% of the plan, of which:

- expenditures were realised at 95.87% of the plan as amended,
- expenditures were realised at 89.70% of the plan as amended.

At the end of the 2022 reporting year, the state of liabilities by debt title amounted to PLN 5,272,053,019.17 (24.35% of the total revenue made). The amount of liabilities consists of loans and borrowings taken in previous years in the amount of PLN 4,771,861,953.35 and securities amounting to PLN 499,411,000.00, as well as maturing liabilities, which amounted to PLN 780,065.82. The due liabilities increased by PLN 103,199.92 compared to 2021.

At the end of the reporting period, receivables due amounted to PLN 2,371,905,349.14 an increase compared to the same period in 2021, when they represented PLN 2,200,195,130.33.

The budget result for 2022 closed with a surplus of PLN 496,645,299.88. The adopted budget provided for a deficit of PLN 1,169,335,166.00.

The submitted report provides information on the amount of municipal waste management fee income realised in 2022 and the EXPENDITURES of operating the municipal waste management system.

Statute on maintenance of cleanliness and order in the districts.		plan	execution	Difference
	REVENUES (Chap. 90002 § 049)	1,114,500,000.00	1,075,878,311.86	180,179,585.52
	EXPENDITURES (Chap. 90002 and 75023)	1.152.593.777.00	895,698,726.34	

The presented data shows that revenues from municipal waste management fees were realised in the amount of PLN 1,075,878,311.86, while the expenditure on waste management plus administrative costs of running the system - were realised in the total amount of PLN 895,698,726.34, which means that the revenue collected from municipal waste management fees is higher than the value of realised expenditures related to municipal waste management by **PLN 180,179,585.52**.

In the submitted Information, the Executive Body referred to the under-spending of funds from the municipal waste management fee: *"In 2022, EXPENDITURES related to the operation of the municipal waste management system recorded in Section 900 - Municipal Economy and Environmental Protection amounted to PLN 877.2 million, against a plan of PLN 1.134 billion, amounting to savings of PLN 256.6 million. Expenditures on administrative services for the municipal waste management system (mainly salaries with derivatives) classified in section 750 - Public administration amounted to PLN 18.5 million against a plan of PLN 18.8 million, representing a savings of PLN 0.3 million. Total municipal waste management EXPENDITURES planned at PLN 1.153 billion were implemented in the amount of PLN 895.7 million, which means total savings of PLN 256.9 million.*

REVENUES realised in 2022 under the municipal waste management system amounted to PLN 1.080 billion, mainly coming from the PLN 1.076 billion waste collection fee, i.e. PLN 35.0 million less than the planned amount of PLN 1.115 billion. Due to the savings achieved in the operation of the municipal waste management system, the year 2022 closed with a surplus of municipal waste management fee REVENUES over EXPENDITURES in the amount of PLN 180.2 million, which was earmarked to finance the planned deficit in the municipal waste management system in 2023-2025."

The Arbitral Tribunal notes that the provisions of the Act of 13 September 1996 on the maintenance of cleanliness and order in districts (i.e. Journal of Laws of 2022, item 2519, as amended), hereinafter the statute, do not provide grounds for making "savings" from the funds from the municipal waste management fee in the districts, as these funds may only be used for the purposes referred to in Article 6r section 2- 2c of the Act on Maintaining Cleanliness and Order in Municipalities. The Adjudicating Chamber indicates that in accordance with Article 6r section 1aa of the Act, funds from the municipal waste management fee may not be used for purposes not related to covering the costs of operation of the municipal waste management system. On the other hand, as stipulated in Article 6r section 2 to 2c of the Act:

"2. From the collected municipal waste management fees, the district shall cover the costs of operating the municipal waste management system, which include:

- 1) reception, transport, collection, recovery and disposal of municipal waste;*
- 2) establishment and maintenance of separate collection points for municipal waste;*
- 3) the administrative operation of this system;*
- 4) environmental education on the proper handling of municipal waste.*

2a. From the municipal waste management fees collected, the district may cover the costs of equipping the property with containers or bags to collect municipal waste and maintaining the containers in an appropriate sanitary, orderly and technical condition.

2aa. From the municipal waste management fees collected, the district may cover the costs of establishing and maintaining repair and reuse points for products or parts of products that are not waste.

2b. From the municipal waste management fees collected, the district may cover the costs of the removal of municipal waste from places not intended for its storage and disposal within the meaning of the Statute of 14 December 2012 on waste.

2c. The district shall use the funds from municipal waste management fees that have not been used in the previous financial year to cover the costs of operating the municipal waste management system, including the costs referred to in subsections 2a, 2aa and 2b, and for the costs of equipping areas intended for public use with

containers or bags for the collection of municipal waste, their emptying and the maintenance in a proper sanitary, orderly and technical condition, as well as the organisation and maintenance of waste collection sites in a proper sanitary and orderly condition."

In view of the above findings, the Board reiterates the need to revise the cost calculations and fee rates for the municipal waste management system.

At the same time, the Adjudicating Chamber reminds that the funds from the fee not spent in the period under review for the purposes related to the functioning of the municipal waste management system should be planned in the following year in accordance with the aforementioned provisions of the Act on Maintaining Cleanliness and Order in Municipalities and Art. 217 (2)(8) of the Public Finance Act.

The report shows measures related to environmental protection and water management. Revenues from fees and penalties referred to in art. 402.4, 5 and 6 of the Act of 27 April 2001. Environmental Protection Law (Journal of Laws of 2022, item 2556 as amended) amounted to PLN 11,072,944.27, while expenditures were incurred in the amount of PLN 9,947,471.32. Pursuant to art. 403.2 of the above-mentioned statute, the tasks of the district include financing environmental protection to the extent specified in the statute in an amount no less than the amount of revenues from fees and penalties, constituting revenues of the county budget, less the surplus of such revenues transferred to the provincial funds.

Revenue from alcohol sales permit fees amounted to PLN 84,339,646.78, while EXPENDITURES on measures to combat alcoholism and drug abuse amounted to PLN 67,514,383.65. The Adjudicating Chamber notes that pursuant to art. 18² and art. 9³ section 4 of the Act of 26 October 1982 on Upbringing in Sobriety and Counteracting Alcoholism (Journal of Laws of 2023, item 165 as amended), revenues from fees for permits to sell alcoholic beverages and revenue from fees for the use of permits should be used to implement: municipal alcohol prevention and problem-solving programmes and municipal programmes against substance abuse, tasks carried out by a day-care facility referred to in the regulations on support for the family and the foster care system, as part of a municipal alcohol prevention and problem-solving programme and municipal substance abuse programmes, and in accordance with Art. 31a and 31b of the statute of 12 March 2022 on assistance to Ukrainian citizens in connection with the armed conflict on the territory of the country (Journal of Laws of 2023, item 103 as amended) for assistance to Ukrainian citizens residing on the territory of the local self-government unit with regard to the implementation of tasks in the field of assistance and social services, provision of shelter, education, care and upbringing, organisation of leisure time, including culture and sports, and public health.

In the opinion of the Warsaw Regional Audit Chamber, the submitted Report on the implementation of the budget of the City of Warsaw for 2022 meets the requirements set by the applicable laws and constitutes a good source of information about the progress in the budget implementation in 2022.

The Adjudicating Panel assessed the report in terms of the criterion of its legality. The assessment of the activities of the Mayor in terms of the degree of budget implementation and economy and expediency in budget execution is the responsibility of the City's decision-making body.

In the light of the above, the Warsaw Regional Audit Chamber has decided as set out in the operative part of the resolution.

Revenue and expenditure of the budgets of the City of Warsaw in 2022 by budget classification

The figures below are given in thousands of PLN

		REVENUES	EXPENDITURES
010	Agriculture and hunting	49	66
020	Forestry	860	18,480
400	Electricity, gas and water supply	5,076	13,497
500	Trade	0	394
600	Transport and communications	1,891,852	5,013,504
630	Tourism	13	7,062
700	Housing management	1,847,711	1,268,900
710	Service activities	19,526	89,088
730	Higher education and science	0	1,105
750	Public administration	76,716	1,517,573
751	Offices of the supreme state authorities, control and protection of the law and the judiciary	342	342
752	National defence	5	5
754	Public safety and fire protection	149,320	366,743
755	Justice	2,300	2,300
756	REVENUES from legal persons, from individuals and from other entities without legal personality	11,056,627	0
757	Public debt servicing	0	182,707
758	Miscellaneous settlements	3,339,622	1,308,667
801	Education and upbringing	264,680	5,386,527
851	Health protection	35,686	389,799
852	Social welfare	220,155	819,428
853	Other tasks in the field of social policy	331,200	359,212
854	Educational upbringing care	14,416	364,355
855	Family	1,136,983	1,599,295
900	Utilities and environmental protection	1,129,138	1,422,483
921	Culture and protection of national heritage	21,389	683,856
925	Botanical and zoological gardens and natural protected areas and sites	32,664	84,897
926	Physical culture	76,822	256,220
ACCOUNTING FOR THE SURPLUS			
Revenues		21,653,151	
Expenditures		21,156,506	
Surplus		496,645	

Budget revenue of the City of Warsaw in 2020-2022 according to sources

The figures below are given in thousands of PLN

	2020	2021	2022
I OWN REVENUE	5,326,647	6,785,100	7,522,146
Tax revenue	1,843,598	2,528,045	2,380,309
Proceeds from fees	1,011,820	1,268,964	1,433,245
Property income	965,711	1,258,110	1,557,105
Other own revenue	1,505,519	1,729,981	2,151,487
II OTHER REVENUE [SHARES, SUBSIDIES, GRANTS, FOREIGN AND OTHER FUNDS]	13,231,049	14,809,669	14,131,005
Shares of government revenue	7,161,519	7,961,956	8,300,370
Subsidies	2,543,665	3,242,357	2,969,425
Subsidies from the state budget for own tasks	189,948	185,918	183,904
Funds from foreign and other sources	563,540	721,279	633,098
Grants from the state budget for commissioned tasks	2,554,745	2,535,858	1,387,937
Specific subsidies implemented on the basis of agreements	217,347	161,522	652,798
Proceeds from financial assistance between local authorities	285	779	3,473
TOTAL REVENUES	18,557,696	21,594,769	21,653,151

Revenue and income of the budgets of the City of Warsaw from 2020-2022

The figures below are given in thousands of PLN

	2020	2021	2022
I TOTAL MUNICIPAL BUDGET REVENUE	18,557,696	21,594,769	21,653,151
of which:			
Revenues from implementation	15,785,604	18,897,389	19,612,416
own tasks	5,326,647	6,785,100	7,522,146
shares	7,161,519	7,961,956	8,300,370
subsidy	2,543,665	3,242,357	2,969,425
grants for own tasks	189,948	185,918	183,904
funds from foreign and other sources	563,540	721,279	633,098
financial assistance between local authorities	285	779	3,473
Special-purpose subsidies for the implementation of delegated task	2,554,745	2,535,858	1,387,937
Specific subsidies implemented on the basis of agreements	217,347	161,522	652,798
II PRZYCHODY BUDŻETU MIASTA	4,805,609	3,105,141	4,015,453
of which:			
from borrowing on the domestic market	6,258	14,052	0
from borrowing on the foreign market	1,937,834	547,201	0
from the issue of bonds	400,000	0	0
on account of other national settlements	2,461,517	2,543,888	4,015,453
III REVENUE OF BUDGET CENTRES	217,309	211,279	232,562
IV OWN REVENUE OF BUDGET ENTITIES	110,441	149,101	211,975

Expenditures and outgoings of the budgets of the City of Warsaw from 2020 to 2022

The figures below are given in thousands of PLN

	2020	2021	2022
I TOTAL EXPENDITURE OF THE MUNICIPAL BUDGET	20,226,163	20,285,426	21,156,506
of which:			
Current expenditure	17,941,010	18,298,335	18,874,247
of which:			
wages and salaries including derivatives	5,575,794	5,813,475	6,329,127
subsidies	2 849 259	3,011,611	3,315,917
expenditures in-kind	9,367,120	9,346,714	9,046,496
debt service	148,837	126,535	182,707
Non-current expenditure	2,285,153	1,987,091	2 282,259
of which:			
shareholdings in companies	44,350	203,250	563,868
grants / financial aid	2,138	5,471	2,940
investments	2,238,665	1,778,370	1,715,451
II MUNICIPAL BUDGET OUTGOINGS	593,488	398,030	2,751,281
of which:			
redemption of securities (bonds)	147,843	300,000	452,157
repayment of domestic loans and credits received	0	1,094	2,189
repayment of foreign credits received	445,645	96,936	96,936
transfers to deposit accounts	0	0	2,200,000
III COSTS AND OTHER CHARGES FOR BUDGET CENTRES	205,906	208,761	227,453
IV EXPENDITURE FINANCED OUT OF OWN REVENUE OF BUDGET ENTITIES	110,104	146,340	206,711

State of liabilities of the City of Warsaw from 2020 to 2022

The figures below are in PLN

	As at: 31/12/2020	As at; 31/12/2021	As at: 31/12/2022
DEBT OBLIGATIONS OF THE MUNICIPAL BUDGET	5,652,807,854	5,811,104,136	5,272,053,019
of which:			
Credits and loans	4,399,946,156	4,858,859,270	4,771,861,953
Bonds	1,251,568,000	951,568,000	499,411,000
Accounts payable	1,293,698	676,866	780,066
LIABILITIES OF SPZOW FOR WHICH THE CITY IS THE FOUNDING BODY	120,293,569	129,716,808	108,258,425
of which:			
Required	3,247,499	4,611,038	541,823
LIABILITIES OF CULTURAL INSTITUTIONS FOR WHICH THE CITY IS THE FOUNDING BODY	25,274,493	34,547,320	50,848,436
of which:			
Required	4,023	7,731	13,683

Level of debt obligations of the City of Warsaw 2020-2022 against budgetary values and statutory debt limits

The figures below are given in thousands of PLN

	2020	2021	2022
BUDGETARY VALUES			
City budget revenues	18,557,696	21,594,769	21,653,151
Expenditures of the municipal budget	20,226,163	20,285,426	21,156,506
Surplus (+) / Deficit (-)	-1,668,467	1,309,343	496,645
Budget revenue:	4,805,609	3,105,141	4,015,453
loans and credits	1,944,092	561,253	0
bond issue	400,000	0	0
other sources	2,461,517	2,543,888	4,015,453
Budget outgoings:	593,488	398,030	2,751,281
repayment of loan instalments	445,645	98,030	99,125
redemption of securities (bonds)	147,843	300,000	452,157
transfers to deposit accounts	0	0	2,200,000
Level of debt obligations:	5,652,808	5,811,104	5,272,053
loans and credits	4,399,946	4,858,859	4,771,862
bonds	1,251,568	951,568	499,411
liabilities due	1,294	677	780
Level of debt service during the year:	742,311	524,522	733,989
interest and discount	148,823	126,492	182,707
repayment of loan instalments	445,645	98,030	99,125
redemption of securities (bonds)	147,843	300,000	452,157
INDICATORS			
Debt level indicator in %	30,5%	26,9%	24,3%
Debt service ratio during the year in %	4,0%	2,4%	3,4%
<i>The figures below are in PLN</i>			
Debt level per capita	3,157	3,239	2,830
Debt service level per capita	415	292	394
<i>Population</i>	<i>1,790,658</i>	<i>1,794,166</i>	<i>1,863,056</i>

Balance

as of 31 December 2022 on the implementation of the budget of the City of Warsaw

ASSETS

The figures below are in PLN

	As at: 31/12/2021	As at: 31/12/2022
I CASH	3,894,762,027	4,233,484,498
Budget cash	3,894,762,027	4,233,484,498
II ACCOUNTS RECEIVABLE AND SETTLEMENTS	377,710,966	29,874,204
Receivables from budgets	340,655,846	14,381,884
Other receivables and settlements	37,055,120	15,492,320
TOTAL ASSETS	4,272,472,993	4,263,358,702

LIABILITIES

The figures below are in PLN

	As at: 31/12/2021	As at: 31/12/2022
I AND COMMITMENTS	5,876,608,135	5,321,657,256
Financial liabilities	5,823,356,174	5,282,425,629
short-term [up to 12 months]	598,333,505	308,649,103
long-term [more than 12 months]	5,225,022,669	4,973,776,526
Commitments to budgets	30,572,683	18,923,625
Other liabilities	22,679,278	20,308,003
II NET ASSETS OF THE BUDGET	-1,807,903,486	-1,321,608,616
Budget outturn [+,-]	1,309,342,786	496,645,098
Budget surplus [+]	1,309,342,786	496,645,098
Result on non-cash operations [+,-].	9,597,631	-10,350,228
Cumulative budget outturn [+,-].	-3,126,843,903	-1,807,903,486
III OTHER LIABILITIES	203,768,344	263,310,062
Accruals and deferred income	203,768,344	263,310,062
TOTAL LIABILITIES	4,272,472,993	4,263,358,702

Ratings

Two international rating agencies assess the finances of the City of Warsaw.

NATIONAL RATING

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

On 28 April 2023, Fitch Ratings, the international credit rating agency, affirmed Warsaw's long-term national credit rating at „AAA(pol)” with a stable outlook, and the long-term national credit rating of „AAA(pol)” for the bond issuance programme of up to PLN 3 billion and all issues by the city under this programme.

Fitch's rating scenario takes into account the impact of the central government's lowering of the tax threshold in 2022, changes in the way share revenues from income tax are redistributed as part of the „Polish Deal” reform, high inflation and an economic slowdown in 2023, which together will lead to a persistent medium-term mismatch between operating REVENUE and EXPENDITURE growth. The state budget subsidies envisaged under the tax reform should have a stabilising effect, but will be insufficient to offset the expected decline in tax revenues fully. This will further weaken the City's debt ratios, but they will remain consistent with the City's current Standalone Credit Profile (SCP) of „a+”.

The Agency maintained the City's ‚high average’ risk profile reflecting low risk compared to comparator group entities and maintained the rating for revenue stability and revenue growth capacity as ‚average’. In Fitch's assessment, the City's revenue sources are stable and its growth prospects align with Poland's economic growth rate. The City's ability to increase revenues in an economic downturn is „average”, and therefore higher than most cities in Poland rated by Fitch, as the city was able to grow its revenue levels even during periods of slower GDP growth. The City also managed to attract investment grants.

The Agency maintained its assessment Warsaw's expenditure stability at ‚medium’ and its ability to adjust them to declining revenues as „average”. Like other districts in Poland, Fitch predicts that Warsaw will be forced to continue measures to prevent declining PIT revenues and reduce current expenditures. In the Agency's assessment, the City is keeping operating expenditure growth under moderate control.

Fitch assesses Poland's existing JST debt and liquidity management regulations as ‚medium’, but Warsaw's debt, liquidity and off-balance sheet liability management policies are rated as ‚strong’ due to the advanced practices implemented and debt and liquidity management. The Agency also rated Warsaw's liquidity management as „strong”, despite the indicated lack of emergency liquidity support from the central government to TSUs

INTERNATIONAL RATING

Rating: **A - with stable outlook**

On 28 April 2023, Fitch Ratings, the international rating agency, affirmed Warsaw's long-term international issuer default rating (IDR) on foreign currency debt at „A-“ with a stable outlook and the city's international long-term domestic foreign currency debt at „A-“ with a stable outlook.

The affirmation of the ratings reflects Fitch's view that Warsaw's operating performance and debt ratios will not deviate from the „A-“ rated comparator group in the medium term, despite pressure on the City's budget from rising prices, the continuing macroeconomic impact of the war in Ukraine, and the effects of the implementation of the „Polish Deal“ tax reform.

The City's international long-term rating is still limited by Poland's rating, which is currently two levels below Warsaw's standalone credit profile (no local authority in Poland can have a foreign credit rating higher than the country's). The Agency justifies the international rating in the same way as the domestic rating.

Ratingu: **A2 with negative outlook**

Moody's Investors Service has not revised Warsaw's rating by the scheduled deadline (March 2023). The last rating was published on 4 November 2022.

On 4 November 2022, Moody's Investors Service affirmed Warsaw's international long-term credit rating at A2, while downgrading the outlook from stable to negative. The outlook reflects expectations of possible rating changes in the future.

According to the Agency, the change in outlook is due to external factors, beyond Warsaw's control, causing the city's situation to deteriorate. These include negative regulatory changes in personal income tax (PIT) area, introduced as part of the „Polish Deal“ programme, resulting in a significant reduction in Warsaw's REVENUES and consequently leading to an increase in the city's 2023-24 deficit and debt.

In the Agency's view, the changes introduced in the area of local government revenues increase uncertainty in the area of Warsaw's budget planning, reduce the transparency of the financing system, and mechanisms compensating for the loss of Warsaw's PIT revenues are insufficient.

The Agency also counts the macroeconomic and geopolitical situation (including the war in Ukraine) and the associated upward pressure on Expenditures among the factors influencing the decision to lower the outlook.

Moody's believes that a significant reduction in Revenues, coupled with limited compensation from the Polish government, and upward pressure on current expenditures due to rising prices will make future budget planning and implementation more difficult, especially as the institutional framework is less predictable.

Significant capital expenditure on public transport, energy efficiency projects, infrastructure, health and education will increase Warsaw's financing needs, resulting in a net increase in direct and indirect debt. At the same time, the Agency considered Warsaw's debt level to be moderate by international standards.

The affirmation of Warsaw's rating at A2, equal to Poland's rating, reflects the strengths of the city's credit profile, including its strong and well-diversified economic base, good liquidity position, and a level of debt that does not generate excessive risk. The Agency also pointed out that Warsaw's strength is its prudent approach to managing the city's finances, taking into account planning over a long time horizon, which allows early identification of risks and taking timely adjustment measures.

According to the Agency, a return to a stable outlook could result from one or more of the following factors: better-than-expected operating performance; limited debt growth while maintaining liquidity at a safe level; improving the institutional framework, including increasing transfers to offset revenue losses; and an upgrade in the sovereign rating. Conversely, a downgrade is possible if negative developments occur in the areas indicated above.

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Documents such as:

- draft budgets of the City of Warsaw
- draft multi-annual financial forecasts of the City of Warsaw
- budgets of the City of Warsaw
- multi-annual financial forecasts of the City of Warsaw
- information about progress in the implementation of the budgets of the City of Warsaw
- information about the status of multi-annual financial forecasts of the City of Warsaw, including the progress in carrying out multi-annual undertakings for H1
- information about progress in the implementation of the Warsaw budget for H1
- opinions of the Regional Audit Chamber,
- assumptions behind draft city budgets of the City of Warsaw
- financial statements of the City of Warsaw
- analyses and comparisons
- brochures

are available at:

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



Warsaw