

plante moran



Detroit Water & Sewerage Department Presentation to the Board of Water Commissioners

For the Year Ended June 30, 2025



Detroit Water & Sewerage Department

Financial Statement Audit

Deliverables – all dated December 19, 2025

- Independent Auditors' Report on Financial Report
- Memorandum to the BOWC
 - Including Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements



Detroit Water & Sewerage Department

Financial Statement Audit

Risk Assessment and Audit Plan

Potential risks of misstatement

- Management override of controls
 - Testing of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.
- Reconciliation of amounts recorded between DWSD and GLWA
 - Confirmations directly with GLWA; comparison of balances to underlying agreements between both parties; testing of reconciliations performed by Management

No issued identified in these areas



Detroit Water & Sewerage Department

Financial Statement Audit

Risk Assessment and Audit Plan

Potential risks of misstatement

- Proper measurement and recognition of customer billings, including unbilled amounts at year end, and the adequacy of the accounts receivable allowance
 - Recalculation of unbilled revenue and year end, and review of allowance estimate for reasonableness, as well as performing lookback procedures
- Proper measurement, reporting, and disclosure of estimated pension costs
 - Review of assumptions used by the actuary to calculate the annual pension costs and test DWSD's contributions towards these costs
- Proper measurement and recognition of general and other claims
 - Confirmation of claims activity with internal and external legal counsel to determine the reasonableness of the accrual for such claims and financial statement disclosure

No issues identified in these areas



Detroit Water & Sewerage Department

Financial Statement Audit

Report on the Results of the Audit

Plante Moran's Responsibility Under Professional Standards

- Express an opinion on the fairness of the financial statements by obtaining sufficient evidential matter to provide a reasonable basis for forming our opinion.
- Plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement.
- Responsible for considering the internal control of the DWSD for the purpose of determining our audit procedures. We do not provide any assurance concerning such control.

Planned Scope and Timing of the Audit

- Planning, risk assessment, and rest of audit procedures conducted in phases from June 2025 through December 2025



Detroit Water & Sewerage Department

Financial Statement Audit

Report on the Results of the Audit

New Significant Accounting/Auditing Policies and Practices

- GASB 101, *Compensated Absences*, was required to be implemented during the June 30, 2025 fiscal year
- GASB 102, *Certain Risk Disclosures*, was required to be implemented during the June 30, 2025 fiscal year

Significant Accounting Estimates

- Net pension liability and related deferrals
- Accrued claims/judgments for ongoing litigation
- Allowance for doubtful accounts

Other Required Communications

- No difficulties encountered in performing the audit
- No disagreements with management regarding financial accounting, reporting or auditing matters



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Financial Statement Audit

Internal Control Items

- *A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the DWSD's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is less severe than a material weakness, yet important enough to merit attention by those charged with governance.*
- We identified no material weaknesses
- One significant deficiency was identified related to revenue recognition and reimbursement of grant expenditures that were determined to be potentially unallowable. The impact was not material to the financial statements.



THANK YOU

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