



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 issues 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 issued 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



# Detroit Water & Sewerage Department

## 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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