

To Management and the Board of Directors of  
Jefferson County Industrial Development Agency

In planning and performing our audit of the financial statements of Jefferson County Industrial Development Agency as of and for the year ended December 31, 2025, in accordance with auditing standards generally accepted in the United States of America, we considered Jefferson County Industrial Development Agency's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

However, during our audit we became aware of certain matters that are opportunities for strengthening internal controls and operating efficiencies. The following summarizes our comments and suggestions regarding the matters.

#### **Lending Policy and Allowance for Credit Losses**

During the current year, the Agency amended the Lending Collection Policy and Procedures specific to the valuation reserve, section 15. The policy expanded upon requirements under Financial Accounting Standards Board (FASB) ASU No. 2016-13, *Measurement of Credit Losses on Financial Instruments*, which changed the method for recognizing credit impairments of financial assets and expanded the information organizations are required to consider when estimating credit losses, such as future economic expectations. During our testing, we noted that the allowance for credit losses approved by the Board of Directors for the year ended December 31, 2025 was not supported by updated documentation for the assumptions and loss rate factors applied to each internal risk rating classification, including current and future economic expectations as of December 2025.

Also, the standard has provided additional practical expedient and accounting policy election for estimating credit losses, for fiscal years beginning after December 15, 2025. The practical expedient would allow the Agency to assume current conditions as of the fiscal year end do not change for the remaining life of the current receivables. Therefore, the Organization will not need to develop reasonable and supportable forecasts of future economic events. There is also an accounting policy election to consider cash collection activity after the fiscal year end date when estimating expected credit losses on current receivables and would have to be elected by the Agency.

It was also noted that the lending policy does not include any information or define when loans convert to nonaccrual status, which would define when a loan would stop accruing interest due to default payment terms. Historically, there has not been a consistent process or timeline for this status determination and when interest revenues would be recognized.

### **Recommendation**

We recommend that the Agency review the lending policy in the current year and make required updates to be in compliance with the FASB accounting standard regarding the measurement of credit losses, apply the practical expedient, and adopt the accounting policy election effective for the 2026 fiscal year. The policy should be expanded to define nonaccrual status and the process and procedures relating to accruing interest on loans and the applicable recognition process for interest income on loans. An enhanced policy would allow management and the board to have a defined policy for the allowance calculations as well as the required processes and procedures for issuing and collecting on loans through payoffs and required instances that may occur such as default or late payments.

### **Information Technology Controls**

During our review of Agency IT controls and cybersecurity as part of the audit process with a questionnaire completed by the outsourced provider, it was found that the Agency has never conducted a risk assessment and is lacking certain controls over Agency assets and data. Certain areas that pose additional risks are no process for training employees on handling private information and utilizing encryption or secure file transfers, no training on cybersecurity, and not having a documented disaster recovery plan. It was also found that there is not a formal review process of user access for certain IT programs such as the accounting software, or a process to monitor who has access to certain programs and ensure proper limitations or rights are granted.

### **Recommendation**

We recommend the Agency work with the outsourced provider to prioritize implementing a structured, risk-based technology governance framework to strengthen cybersecurity, data management, and overall IT reliability. Management should begin with a comprehensive IT risk assessment and then establish formal policies for security, privacy, data retention, and access controls, supported by regular monitoring and employee training to mitigate cyber threats and fraud risks. The Agency should also develop a strategic data management and backup plan, ensure compliance with privacy and confidentiality requirements, and implement basic intrusion detection and incident response procedures. By incrementally adopting these practices and leveraging cost-effective cloud and emerging technologies, the Agency could significantly improve controls over its IT environment, protect sensitive data, and enhance operational resiliency.

### **Budgeting Procedures**

The Agency adopts an annual budget at the beginning of each year based on projected expenditures and certain recurring revenue sources. In recent years, actual expenditures have exceeded expected recurring revenues; however, the budgets were balanced through the inclusion of anticipated PILOT/Sale-Leaseback revenues that were not reasonably expected to be realized within the fiscal year. As a result, the budgets have incorporated overly optimistic assumptions and unattainable revenue targets, contributing to recurring operating deficits for the Agency.

**Recommendation**

Management should enhance its budget development and monitoring processes to ensure that adopted budgets are based on reasonable, supportable assumptions and revenues that are likely to be realized within the fiscal year. Specifically, the Agency should (1) align revenue projections with historical performance and executed agreements, (2) distinguish recurring operating revenues from nonrecurring or uncertain sources such as PILOT/Sale-Leaseback proceeds, and (3) implement periodic budget-to-actual monitoring with timely adjustments when variances arise. Additionally, the Agency should consider adopting a formal policy requiring documentation and review of key budget assumptions by the governing board to promote more sustainable financial planning and reduce the risk of recurring operating deficits.

We will review the status of these comments during our next audit engagement. We have already discussed the comments and suggestions with various Agency personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of the matters, or to assist you in implementing the recommendations.

This communication is intended solely for the information and use of management, the Board of Directors, oversight agencies, and others within the Agency and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

*Bowen & Company CPAs, PLLC*

Watertown, New York  
February 23, 2026