

BLUEGRASS STATE SKILLS CORPORATION

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

As of and for the Year Ended June 30, 2025

And Report of Independent Auditor

BLUEGRASS STATE SKILLS CORPORATION
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Report of Independent Auditor

To the Board of Directors
Bluegrass State Skills Corporation
Frankfort, Kentucky

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and the governmental fund of Bluegrass State Skills Corporation, a component unit of the Commonwealth of Kentucky, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise Bluegrass State Skills Corporation's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the governmental fund of Bluegrass State Skills Corporation as of June 30, 2025, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of Bluegrass State Skills Corporation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Bluegrass State Skills Corporation's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities 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, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. 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 the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- 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 Bluegrass State Skills Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Bluegrass State Skills Corporation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2025, on our consideration of Bluegrass State Skills Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Bluegrass State Skills Corporation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Bluegrass State Skills Corporation's internal control over financial reporting and compliance.

Cherry Bekaert LLP
Louisville, Kentucky
October 20, 2025

BLUEGRASS STATE SKILLS CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

Bluegrass State Skills Corporation (Corporation) was established in 1984 by the General Assembly of the Commonwealth of Kentucky (Commonwealth) as an independent, de jure corporation to stimulate economic development through programs of skills training to meet the needs of business and industry. The Corporation, in cooperation with other State employment and training organizations, provides for customized comprehensive programs of skills training services for new, expanding, and existing industries. The Corporation, for administrative purposes, operates under the Kentucky Cabinet for Economic Development (Cabinet), in recognition of the relationship between economic development and skills training efforts.

As management of the Corporation, a governmental fund type component unit of the Commonwealth, we offer the readers of the Corporation's financial statements this narrative overview and analysis of the financial performance of the Corporation for the fiscal year ended June 30, 2025. We encourage readers to read it in conjunction with the Corporation's financial statements and the accompanying notes thereto.

Financial Highlights

- The assets of the Corporation were equal to its liabilities as of the close of the most recent fiscal year
- As of the close of the most recent fiscal year, the Corporation's governmental fund reported an ending fund balance of \$-0-
- Total expenses increased \$4,287,056 (168.3%) between fiscal years
- Total general revenues increased \$4,296,399 (169.3%) between fiscal years

Overview of the Financial Statements

This financial report consists of three parts: *Management's Discussion and Analysis* (this section), the combined government-wide and fund financial statements, and the accompanying notes to the financial statements. For special-purpose governments engaged in a single governmental program, the government-wide financial statements and the fund financial statements may be combined using a columnar format that reconciles individual line items of fund financial data to government-wide data. Accordingly, the Corporation has elected to present combined financial statements as such. The perspectives of the government-wide financial statements and the fund financial statements are discussed below.

The Corporation has established a fund to account for appropriations from the Commonwealth to be used for the purpose for which the Corporation was created. The activities of the Corporation are accounted for as a governmental fund on the modified accrual basis of accounting.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Corporation's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the Corporation's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Corporation is improving or deteriorating.

The statement of activities presents information showing how the Corporation's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal years.

BLUEGRASS STATE SKILLS CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Corporation, like other State and local governments, uses fund accounting to ensure legal requirements. The Corporation is accounted for as a single governmental fund.

The Corporation's single governmental fund is used to account for essentially the same function as that which is reported within the government-wide financial statements, however, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year.

Because the focus of the fund financial statements is narrower than that of the government-wide financial statements, it is useful to compare the information presented in the fund financial statements with similar information presented in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Corporation's near-term financial decisions.

The governmental fund balance sheet and the government-wide statement of net position are presented on page 9 with an adjustments column to provide a reconciliation between the two sets of financial statements. The governmental fund statement of revenues, expenditures, and changes in fund balance and the government-wide statement of activities are presented on page 10 and contain a similar reconciliation. See Note 3 to the financial statements for an additional discussion of the adjustment amounts (as applicable).

Financial Analysis of the Corporation

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Corporation, the assets were equal to the liabilities as of the close of the most recent fiscal year.

Condensed Financial Information (in thousands) Statement of Net Position June 30

	2025	2024	Percentage Increase (Decrease)
Current assets	\$ 343	\$ 2,195	-84.4%
Current liabilities	343	2,195	-84.4%
Net position	\$ -	\$ -	0.0%

BLUEGRASS STATE SKILLS CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Current assets generally consist of cash/cash equivalents (the equity position of the Corporation in the State cash and investment pool of the Commonwealth of Kentucky not otherwise classified as investments) and intergovernment receivables appropriated from the General Fund of the Commonwealth to cover the Corporation's current liabilities (see also current liabilities and General Fund appropriations from the Commonwealth below). At June 30, 2025 (and at June 30, 2024), there are no such cash/cash equivalents or investments.

Current liabilities typically consist primarily of grants payable. Grants payable as of year-end are representative of active grant awards (see also grant awards below) for which the requests for reimbursements reflect expenditures incurred by the grantees prior to year-end, but for which the Corporation had not reimbursed the grantees until after year-end.

Grants payable decreased approximately \$2,195,000 (84.4%) between fiscal years. Grants payable are paid from the intergovernment receivables (appropriated from the General Fund of the Commonwealth) due to the Corporation at year-end (see also current assets above).

The Corporation does not typically have non-current liabilities.

Condensed Financial Information (in thousands) Statement of Activities Years Ended June 30

	2025	2024	Percentage Increase (Decrease)
Expenses:			
Grant awards	\$ 6,813	\$ 2,530	169.3%
Compensation and related benefits	3	2	50.0%
Other	18	15	20.0%
Total Expenses	6,834	2,547	168.3%
Deficiency of revenues over expenses	(6,834)	(2,547)	168.3%
General Revenues:			
General Fund appropriations from the Commonwealth	6,834	2,538	169.3%
Change in net position	-	(9)	100.0%
Net position, beginning of the year	-	9	-100.0%
Net position, end of the year	\$ -	\$ -	0.0%

BLUEGRASS STATE SKILLS CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Grant awards represent grants-in-aid, with matching requirements, to businesses to improve and promote employment opportunities for the residents of the Commonwealth. Such grant awards are typically primarily funded by General Fund appropriations from the Commonwealth. Grant awards are reported net of refunds (as applicable). Refunds of grant awards represent the repayment of grant funds (prorated as applicable) by the recipient if grant requirements are not met. Grant awards increased approximately \$4,283,000 (169.3%) between fiscal years primarily as a result of the additional level of grants to one specific grantee during fiscal year 2025.

Compensation and related benefits consists entirely of the per-diem amounts paid to the individual members of the Corporation's Board of Directors. Compensation and related benefits remained consistent between fiscal years.

Other expenses represent all other operating expenses of the Corporation such as professional fees, travel, and various office related expenses. Other expenses remained consistent between fiscal years.

General Fund appropriations from the Commonwealth are typically the primary funding source for the activities of the Corporation. General Fund appropriations from the Commonwealth increased approximately \$4,296,000 (169.3%) between fiscal years. This increase between fiscal years generally goes hand-in-hand with the above noted increase in grant awards. Approximately \$9,000 of fiscal year 2024 grant awards were funded from the fiscal year 2018 intergovernment grant revenue discussed below (rather than being funded by General Fund appropriations from the Commonwealth).

Fiscal year 2018 intergovernment grant revenue consisted of funding received from the Kentucky Education and Workforce Development Cabinet. Such grant funds were restricted for "grants, loans, and benefits" related to training incumbent Kentucky employees in skill and occupational upgrade training so that employers and employees can enhance productivity, improve performance, retain employment, and integrate new technologies with the goal of business retention, expansion, and growth within the Commonwealth. Such grant funds were ultimately fully expended during fiscal year 2024.

Governmental Fund Financial Analysis

As noted earlier, the Corporation uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the Corporation's fund financial statements is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Corporation's financing requirements. In particular, fund balance may serve as a useful measure of a government's net resources available for program purposes at the end of the fiscal year.

Condensed Financial Information (in thousands) **Balance Sheet** **June 30**

	2025	2024	Percentage Increase (Decrease)
Assets	<u>\$ 343</u>	<u>\$ 2,195</u>	-84.4%
Liabilities	343	2,195	-84.4%
Fund balance	-	-	0.0%
Total Liabilities and Fund Balance	<u>\$ 343</u>	<u>\$ 2,195</u>	-84.4%

BLUEGRASS STATE SKILLS CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

See the above discussions of current assets and current liabilities within the *Government-wide Financial Analysis* section. There are no differences between the government-wide and the governmental fund financial statements as of and for the year ended June 30, 2025 (and as of and for the year ended June 30, 2024).

Condensed Financial Information (in thousands)
Statement of Revenues, Expenditures, and Changes in Fund Balance
Years Ended June 30

	2025	2024	Percentage Increase (Decrease)
Expenditures:			
Grant awards	\$ 6,813	\$ 2,530	169.3%
Compensation and related benefits	3	2	50.0%
Other	18	15	20.0%
Total Expenditures	<u>6,834</u>	<u>2,547</u>	168.3%
Deficiency of revenues over expenditures	<u>(6,834)</u>	<u>(2,547)</u>	168.3%
General Revenues:			
General Fund appropriations from the Commonwealth	<u>6,834</u>	<u>2,538</u>	169.3%
Change in fund balance	-	(9)	100.0%
Fund balance, beginning of the year	<u>-</u>	<u>9</u>	-100.0%
Fund balance, end of the year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	0.0%

See the above discussions within the *Government-wide Financial Analysis* section. There are no differences between the government-wide and the governmental fund financial statements as of and for the year ended June 30, 2025 (and as of and for the year ended June 30, 2024).

Budgetary Highlights

During fiscal year 2025, the Corporation expended approximately \$8,665,000 of the approximately \$45,594,000 of allotments designated for "grants, loans, and benefits." Such unexpended allotments will carry forward to fiscal year 2026 and will otherwise not lapse.

See the budgetary comparison schedule on page 16 (and the related note thereto on page 17) for additional information.

Currently Known Facts, Decisions, or Conditions

Unexpended "personnel" and "operating expenses" allotments will lapse to the extent such allotments have not been appropriated to pay accounts payable as of year-end (if applicable).

BLUEGRASS STATE SKILLS CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Contacting the Corporation's Financial Management

If there are any questions concerning the information provided herein or if you need additional information, contact Kentucky Cabinet for Economic Development, Mayo-Underwood Building, 500 Mero Street, 5th Floor, Frankfort, Kentucky 40601. The Cabinet can also be reached by telephone at 502.564.7670 or by email at econdev@ky.gov.

BLUEGRASS STATE SKILLS CORPORATION
BALANCE SHEET/STATEMENT OF NET POSITION

JUNE 30, 2025

	<u>Balance Sheet</u>	<u>Adjustments (Note 3)</u>	<u>Statement of Net Position</u>
ASSETS			
Current Assets			
Intergovernment receivables	\$ 342,692	\$ -	\$ 342,692
Total Assets	<u>\$ 342,692</u>	<u>-</u>	<u>342,692</u>
LIABILITIES			
Current Liabilities			
Grants payable	\$ 342,692	-	342,692
FUND BALANCE/NET POSITION			
Unassigned/unrestricted	-	\$ -	\$ -
Total Liabilities and Fund Balance	<u>\$ 342,692</u>	<u>-</u>	<u>-</u>

The accompanying notes to the financial statements are an integral part of these financial statements.

BLUEGRASS STATE SKILLS CORPORATION
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2025

	Statement of Revenues, Expenditures, and Changes in Fund Balance	Adjustments (Note 3)	Statement of Activities
Expenditures/Expenses:			
Grant awards	\$ 6,812,700	\$ -	\$ 6,812,700
Compensation and related benefits	3,337	-	3,337
Professional fees	15,615	-	15,615
Miscellaneous	2,596	-	2,596
Total Expenditures/Expenses	<u>6,834,248</u>	<u>-</u>	<u>6,834,248</u>
Deficiency of revenues over expenditures/expenses	<u>(6,834,248)</u>	<u>-</u>	<u>(6,834,248)</u>
General Revenues:			
General Fund appropriations from the Commonwealth	<u>6,834,248</u>	<u>-</u>	<u>6,834,248</u>
Change in fund balance/net position	-	-	-
Fund balance/net position, beginning of the year	-	-	-
Fund balance/net position, end of the year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes to the financial statements are an integral part of these financial statements.

BLUEGRASS STATE SKILLS CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

Note 1—Nature of activities

Bluegrass State Skills Corporation (Corporation) was established in 1984 by the General Assembly of the Commonwealth of Kentucky (Commonwealth) as an independent, de jure corporation to stimulate economic development through programs of skills training to meet the needs of business and industry. The Corporation, in cooperation with other State employment and training related entities, provides for customized comprehensive programs of skills training services for new, expanding, and existing industries. The Corporation, for administrative purposes, operates under the Kentucky Cabinet for Economic Development (Cabinet), in recognition of the relationship between economic development and skills training efforts.

The Corporation's three main functions are:

- To administer and fund customized business and industry specific training through agreements for Grant-in-Aid (Grant-in-Aid Program) and Skills Training Investment Credit incentives (Skills Training Investment Credit Act Program);
- To function as a broker by coordinating the resources of providers of skills upgrade training, occupational upgrade training, and employment services; and
- To facilitate the creation of public/private partnerships through education and training programs designed to meet training needs of individual and multiple company (consortia) training projects.

Additionally, the Corporation, pursuant to Kentucky Revised Statutes 141.381, is responsible for approving tax credits under the Metropolitan College Tax Credit Program, the purpose of which is to encourage an employer to provide educational opportunities to employees through a program that combines employment with post-secondary education. The tax credits are approved on behalf of a qualified taxpayer under the terms of the related Metropolitan College Agreement.

The Skills Training Investment Credit Act Program and the Metropolitan College Tax Credit Program abate tax revenues of the Commonwealth. The abated tax revenues do not otherwise directly impact the Corporation's financial position and/or results of operations.

The Corporation is an instrumentality of the Commonwealth of Kentucky and is exempt from income taxation.

Note 2—Summary of significant accounting policies

Basis of Presentation – The Corporation is a component unit of the Commonwealth of Kentucky. The Corporation's financial statements are included in the Commonwealth's Annual Comprehensive Financial Report (ACFR) as a discretely presented component unit.

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The Corporation is a governmental fund. Accordingly, the Corporation presents two sets of financial statements; government-wide financial statements and governmental fund financial statements.

The government-wide financial statements of the Corporation (the statement of net position and the statement of activities) report information on all the activities of the Corporation. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

BLUEGRASS STATE SKILLS CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

Note 2—Summary of significant accounting policies (continued)

The governmental fund financial statements (the balance sheet and the statement of revenues, expenditures, and changes in fund balance) are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Accordingly, revenues are recognized as soon as they are both measurable and available to finance operations during the current fiscal year or to pay liabilities existing at year-end. Measurable refers to the knowledge of being able to reasonably estimate related amounts. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the Corporation defines available as within 90 days of year-end. Expenditures are generally recorded when a liability is incurred, as under the accrual basis of accounting. However, certain expenditures, such as, for example, those related to compensated absences, are recorded only when payment is due.

An adjustments column is presented within the financial statements to, when applicable, provide a reconciliation between the government-wide and governmental fund financial statements. See Note 3.

Cash, Cash Equivalents, and Investments – The Kentucky Revised Statutes authorize the Corporation to invest deposits subject to its control, at its discretion, in the types of permitted investments as outlined within the Kentucky Revised Statutes. In addition, the Corporation is also permitted to participate in the State cash and investment pool of the Commonwealth of Kentucky (the Commonwealth of Kentucky's general depository). As applicable, the equity position of the Corporation in the State cash and investment pool of the Commonwealth of Kentucky is reported as assets of the Corporation.

As applicable, the Corporation considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. As applicable, investments are reported at fair value. At June 30, 2025, there are no such cash, cash equivalents, and/or investments.

Intergovernment Transactions – During the course of operations, transactions occur with other State agencies (including the Commonwealth of Kentucky in general) that may result in amounts due to/from and revenues from/expenditures to. See Note 4 for the details of such transactions.

Fund Balance/Net Position – Governmental fund equity is classified as fund balance and is displayed in the following classifications which depict the relative strength of the spending constraints placed on the purposes for which resources can be used (when applicable; see Note 7):

Non-spendable – Consists of amounts that are not in a spendable form or are required to be maintained intact.

Restricted – Consists of amounts with constraints placed on the use thereof either by: (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Committed – Consists of amounts constrained to specific purposes by the entity itself, using its highest level of decision-making authority (the Board of Directors).

Assigned – Consists of amounts the entity intends to use for a specific purpose (such purposes do not meet the criteria to be classified as restricted or committed).

Unassigned – Consists of spendable amounts that are otherwise available for any purpose.

BLUEGRASS STATE SKILLS CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

Note 2—Summary of significant accounting policies (continued)

Government-wide equity is classified as net position and is displayed in the following classifications (when applicable):

Net Investment in Capital Assets – Consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings, net of the unspent proceeds, attributable to the acquisition, construction, or improvement of such capital assets.

Restricted Net Position – Consists of net position with constraints placed on the use thereof either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted Net Position – All other net position that does not meet the definition of net investment in capital assets or restricted.

Expenditures/Expenses – Expenditures and expenses are both classified by natural or object classification in the statement of revenues, expenditures, and changes in fund balance/statement of activities.

Note 3—Explanation of the difference between the government-wide and the governmental fund financial statements

Long-term liabilities applicable to the Corporation's governmental activities are not due and payable in the current period, and accordingly are not reported as fund liabilities. When applicable, the non-current portion of certain liabilities are therefore not reported in the governmental fund balance sheet. All liabilities, both current and long-term, are reported in the government-wide statement of net position. Accordingly, when applicable, the expenses associated with the non-current portion of such long-term liabilities are reported in the government-wide statement of activities.

There are no differences between the government-wide and the governmental fund financial statements as of and for the year ended June 30, 2025.

Note 4—Intergovernment transactions

At June 30, 2025, intergovernment receivables reported in the accompanying balance sheet/statement of net position consist of General Fund appropriations from the Commonwealth due to the Corporation in the amount of \$342,692.

Note 5—General fund appropriations from the Commonwealth

The primary funding source for the activities of the Corporation is through legislative General Fund appropriations from the Commonwealth. The Corporation may, subject to appropriations from the Commonwealth or from funds made available to it from any other public or private source, provide grant awards restricted only to the extent of its remaining unexpended funds.

BLUEGRASS STATE SKILLS CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

Note 5—General fund appropriations from the Commonwealth (continued)

The regular General Fund appropriations are made available to the Corporation in quarterly allotments. House Bill 6, enacted during the 2024 Regular Session of the Kentucky legislature, generally authorized the Corporation's unexpended allotments designated for "grants, loans, and benefits" to carry forward for fiscal years 2023-2024 and 2024-2025 (the 2024-2026 biennium) and not lapse to the Commonwealth's General Fund Surplus Account, notwithstanding Kentucky Revised Statutes (KRS) 45.229. Unexpended "personnel" and "operating expenses" allotments will lapse to the extent such allotments have not been appropriated to pay accounts payable as of year-end (if applicable).

During fiscal year 2022, pursuant to 2021 Special Session Senate Bill 5, \$20,000,000 of additional General Fund appropriations from the Commonwealth (in addition to the regular General Fund appropriations) were made available to the Corporation to fund obligations to disburse certain grant awards. Such unexpended appropriations have since carried forward and will continue to carry forward to fiscal year 2026 and will otherwise not lapse.

The Corporation's unexpended allotments are maintained by the Kentucky Finance and Administration Cabinet. At June 30, 2025, unexpended allotments (includes those allotments already appropriated to pay accounts and grants payable as of year-end) consist of the following:

	Beginning Unexpended Balance	Inflows	Outflows	Ending Unexpended Balance
"Personnel"	\$ -	\$ 24,900	\$ 18,952	\$ 5,948
"Operating expenses"	-	8,700	2,596	6,104
"Grants, loans, and benefits"	38,782,476	6,811,800	8,665,468	36,928,808
	<u>\$ 38,782,476</u>	<u>\$ 6,845,400</u>	<u>\$ 8,687,016</u>	<u>\$ 36,940,860</u>

Note 6—Grant awards

The Corporation awards grants-in-aid, with matching requirements, to businesses to improve and promote employment opportunities for the residents of the Commonwealth. Such grant awards are typically primarily funded by General Fund appropriations from the Commonwealth.

Grants payable as of year-end represent active grant awards for which the requests for reimbursements reflect expenditures incurred by the grantees prior to year-end; however, the Corporation had not reimbursed the grantees for such expenditures until after year-end. These grants will be paid from the intergovernment receivables (General Fund appropriations from the Commonwealth) due to the Corporation at year-end (see Note 4).

At June 30, 2025, obligations to disburse both active and prospective grant awards total approximately \$22,750,000 (includes the approximately \$343,000 of grants payable at June 30, 2025). The Corporation may not however ultimately fund these grants due to certain factors. The Corporation cannot make such disbursements in excess of its available funds ("grants, loans, and benefits") which total approximately \$36,929,000 at June 30, 2025.

BLUEGRASS STATE SKILLS CORPORATION
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

Note 7—Fund balance classification policies and procedures

The Board of Directors is the Corporation's highest level of decision-making authority. Commitments of fund balance (if and when applicable) must be formally approved through a vote by the Board of Directors. When warranted, the Board of Directors has the authority to assign amounts to a specific purpose utilizing the same policy established for committing funds to a specific purpose. The Corporation has not adopted formal policies which would govern: (1) the order of priority relative to the use of fund balance when an expenditure is incurred for purposes for which both restricted or unrestricted fund balance is available and (2) whether committed, assigned, or unassigned amounts are considered to have been spent when an expenditure is incurred for purposes for which amounts classified as committed, assigned, or unassigned fund balance may be used.

Note 8—Related party transactions

The Corporation received the benefit of management, accounting, and administrative services, as well as utilities and office space, from the Cabinet during fiscal year 2025 for which no fees were assessed.

Note 9—Risk management

The Corporation is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; and errors and omissions. The Corporation purchases commercial insurance coverage for errors and omissions and directors' and officers' liability. The Corporation also utilizes the Commonwealth of Kentucky's Risk Management Fund to cover the exposure to any remaining potential losses. The Commonwealth's ACFR should be referred to for additional disclosures related to the Risk Management Fund.

REQUIRED SUPPLEMENTARY INFORMATION

BLUEGRASS STATE SKILLS CORPORATION
BUDGETARY COMPARISON SCHEDULE

YEAR ENDED JUNE 30, 2025

	Original Budgeted Amounts			Final Budgeted Amounts			Difference Between the Original and Final Budgeted Amounts	2025 Actual Amounts	Variance With the Final Budgeted Amounts
	Beginning Unexpended Balance July 1, 2024	2025 Allotments	Total	Beginning Unexpended Balance July 1, 2024	2025 Allotments	Total			
Resources (Inflows):									
General Fund appropriations from the Commonwealth	\$ 38,782,476	\$ 6,845,400	\$ 45,627,876	\$ 38,782,476	\$ 6,845,400	\$ 45,627,876	\$ -	\$ 45,627,876	\$ -
Charges to Appropriations (Outflows):									
"Personnel"	-	24,900	24,900	-	24,900	24,900	-	18,952	(5,948)
"Operating expenses"	-	8,700	8,700	-	8,700	8,700	-	2,596	(6,104)
"Grants, loans, and benefits"	38,782,476	6,811,800	45,594,276	38,782,476	6,811,800	45,594,276	-	8,665,468	(36,928,808)
Total charges to appropriations (outflows)	38,782,476	6,845,400	45,627,876	38,782,476	6,845,400	45,627,876	-	8,687,016	(36,940,860)
Excess of resources (inflows) over charges to appropriations (outflows)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 36,940,860	\$ 36,940,860

See the note to the budgetary comparison schedule.

BLUEGRASS STATE SKILLS CORPORATION
NOTE TO THE BUDGETARY COMPARISON SCHEDULE

YEAR ENDED JUNE 30, 2025

Budgetary Basis Versus U.S. GAAP

The accompanying budgetary comparison schedule presents comparisons of the legally adopted budget with actual data on the budgetary basis. Accounting principles applied for purposes of developing data on the budgetary basis differ from those used to present financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). An explanation of the differences between budgetary inflows and outflows and revenues and expenditures determined in accordance with U.S. GAAP follows:

Total resources (inflows) per the budgetary comparison schedule	\$ 45,627,876
Unexpended allotments as of June 30, 2025	(36,940,860)
General Fund appropriations receivable (intergovernment) as of June 30, 2025	342,692
General Fund appropriations receivable (intergovernment) as of June 30, 2024	<u>(2,195,460)</u>
Total general revenues per the statement of revenues, expenditures, and changes in fund balance	<u>\$ 6,834,248</u>
Total charges to appropriations (outflows) per the budgetary comparison schedule	\$ 8,687,016
Grants payable as of June 30, 2025	342,692
Grants payable as of June 30, 2024	<u>(2,195,460)</u>
Total expenditures per the statement of revenues, expenditures, and changes in fund balance	<u>\$ 6,834,248</u>

**Report of Independent Auditor on Internal Control over Financial Reporting and
on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards**

To the Board of Directors
Bluegrass State Skills Corporation
Frankfort, Kentucky

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and the governmental fund of Bluegrass State Skills Corporation as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise Bluegrass State Skills Corporation's basic financial statements, and have issued our report thereon dated October 20, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Bluegrass State Skills Corporation'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Bluegrass State Skills Corporation's internal control. Accordingly, we do not express an opinion of the effectiveness of Bluegrass State Skills Corporation's internal control.

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 entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Bluegrass State Skills Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of Bluegrass State Skills Corporation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Bluegrass State Skills Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Cherry Bekaert LLP

Louisville, Kentucky

October 20, 2025

BLUEGRASS STATE SKILLS CORPORATION
SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2025

Schedule of Auditor's Results

We have issued an unmodified opinion, dated October 20, 2025, on the financial statements of Bluegrass State Skills Corporation as of and for the year ended June 30, 2025.

Our audit disclosed no instances of non-compliance which are material to Bluegrass State Skills Corporation's financial statements.

Findings Relating to the Financial Statements

Our audit disclosed no findings which are required to be reported in accordance with *Government Auditing Standards*.

BLUEGRASS STATE SKILLS CORPORATION
SCHEDULE OF PRIOR AUDIT FINDINGS AND THEIR RESOLUTION

YEAR ENDED JUNE 30, 2025

The audit as of and for the year ended June 30, 2024 disclosed no findings which were required to be reported in accordance with *Government Auditing Standards*.