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# **Bluegrass State Skills Corporation**

## **Board of Directors Meeting**

**September 30, 2020**



# Bluegrass State Skills Corporation

## AGENDA



**The Bluegrass State Skills Corporation  
Board of Directors Meeting**  
Cabinet for Economic Development  
300 West Broadway  
Frankfort, Kentucky

**SPECIAL BOARD MEETING**

**Video Conference Website/Link:**

<https://us02web.zoom.us/j/86701958874>

**AGENDA**

**September 30, 2020**

Call to Order  
Notification of Press  
Roll Call

Minutes - Wednesday, July 29, 2020

Reports

GIA Applications

GIA and STIC Applications

STIC Applications

GIA Commitment Applications

New Business

Bluegrass State Skills Corporation - Audit Report  
Executive Branch Code of Ethics

Next Board Meeting

Adjournment

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# **Bluegrass State Skills Corporation**

## **MINUTES**



**Bluegrass State Skills Corporation Board of Directors Meeting  
Kentucky Cabinet for Economic Development,  
300 West Broadway, Frankfort, Kentucky 40601  
July 29, 2020 – 1:00 PM**

**BSSC Special Board Meeting**

Due to the state of emergency declared by Governor Andy Beshear via Executive Order 2020-15 regarding COVID-19, all previously announced in-person meetings involving the Kentucky Cabinet for Economic Development were cancelled for July.

In accordance with the provision of KRS 61.823, a special meeting of the Bluegrass State Skills Corporation was called for **1:00 p.m. (EDT) on Wednesday, July 29, 2020**. The board meeting was held via video teleconference.

**Members present** – Marty Hammons, Brenda Bankston, Jai Bokey, Shannon Cales, Rita Combs-Sterrett, Gary Farmer, John Kuzuoka, Nicholas Rapier, Zach Weinberg, Jeff Whitehead, and Aimee Wulfeck.

**Proxies present** – Katie Smith, Proxy for Secretary Larry Hayes; Marjorie Arnold, Proxy for Secretary Larry Roberts; Greg Rush, Proxy for Dr. Aaron Thompson; and Donna Davis, Proxy for Dr. Jay Box.

**Members absent** – Jacqueline Coleman, Houston Barber, and Melanie Ratliff.

**CED Staff present** - Tim Back, Elizabeth Bishop, Sarah Butler, Brittany Cox, Martin David-Jacobs, Anthony Ellis, Ellen Felix, James Johnson, Tonya Lee, Andy Lutner, Jack Mazurak, Kate McCane, Charlie Rowland, Kristina Slattery, and Christy Wingate.

**Guests present** – John Lambert – representing Rockcastle Hospital and Respiratory Care Center, Inc. dba Rockcastle Regional Hospital & Respiratory Care Center

**Call to Order** – Jai Bokey

**Roll Call** – Ellen Felix

**Notification of Press** – Ellen Felix

Jai Bokey, Chairman, received verification that the media had been notified of the BSSC Board of Directors meeting.

**Approval of the May 27, 2020 Minutes** – Jai Bokey

Sarah Butler made a recommendation to reflect an edit to the minutes on page 5 under Old Business.

The first sentence states, By statue, the BSSC Board is required to provide preferential scoring to companies, when it actually should state that According to the BSSC Guidelines.

A motion was made by Nicholas Rapier to approve the minutes with the edit to page 5, and John Kuzuoka seconded the motion to approve the May 27, 2020 minutes. Motion carried.

**Approval of Financial Report – Tonya Lee**

Brenda Bankston made a motion to approve the Financial Report for July 29, 2020. Aimee Wulfbeck seconded the motion. Motion carried.

**Applications for Review – Sarah Butler**

BSSC Staff – Elizabeth Bishop/Christy Wingate recommended the following Grant-in-Aid (GIA) application to the BSSC Board for approval:

G21-23057 – Florida Tile, Inc., Lexington \$ 75,000.00

A motion was made by Shannon Cales to approve this application. Jeff Whitehead seconded the motion. Motion carried.

BSSC Staff – Martin David-Jacobs/Kate McCane recommended the following Grant-In-Aid (GIA) applications to the BSSC Board for approval:

G21-23071 – Takigawa Corporation America, Bardstown \$ 60,000.00

G21-23067 – Rockcastle Hospital and Respiratory Care Center, Inc. dba \$ 75,000.00  
Rockcastle Regional Hospital & Respiratory Care Center,  
Mount Vernon

A motion was made by John Kuzuoka to approve these applications. Shannon Cales seconded the motion. Nicholas Rapier abstained on Takigawa Corporation America. Motion carried.

BSSC Staff – Andy Luttner/Kate McCane recommended the following Grant-in-Aid (GIA) application to the BSSC Board for approval:

G21-23081 – NPR of America, Inc., Bardstown \$ 64,753.00

A motion was made by Jeff Whitehead to approve this application. Shannon Cales seconded the motion. Nicholas Rapier abstained. Motion carried.

BSSC Staff – Elizabeth Bishop/Christy Wingate recommended the following Grant-In-Aid (GIA) + Skills-Training-Investment-Credit (STIC) application to the BSSC Board for approval:

G21-23035 – Steinkamp Molding Ltd. dba Steinkamp Molding L.P., \$ 28,000.00  
Erlanger

T21-23056 – Steinkamp Molding Ltd. dba Steinkamp Molding L.P. \$ 6,000.00

A motion was made by Brenda Bankston to approve these applications. Nicholas Rapier seconded the motion. Motion carried.

BSSC Staff – Elizabeth Bishop/Christy Wingate recommended the following Grant-In-Aid (GIA) + Skills-Training-Investment-Credit (STIC) applications to the BSSC Board for approval:

G21-23060 – Zotefoams Inc., Walton	\$ 75,000.00
T21-23061 – Zotefoams Inc., Walton	\$ 25,500.00

A motion was made by Nicholas Rapier to approve these applications. Shannon Cales seconded the motion. Motion carried.

BSSC Staff – Brittany Cox/Kate McCane recommended the following Grant-In-Aid (GIA) + Skills-Training-Investment-Credit (STIC) applications to the BSSC Board for approval:

G21-23074 – Bonfiglioli USA Inc., Hebron	\$ 75,000.00
T21-23073 – Bonfiglioli USA Inc., Hebron	\$ 37,500.00
G21-23043 – Kentucky Rebuild Corp., Independence	\$ 46,000.00
T21-23042 – Kentucky Rebuild Corp., Independence	\$ 11,500.00

A motion was made by Brenda Bankston to approve these applications. Aimee Wulfeck seconded the motion. Motion carried.

BSSC Staff – Elizabeth Bishop/Christy Wingate recommended the following Skills-Training-Investment-Credit (STIC) applications to the BSSC Board for approval:

T21-23076 – Krauss-Maffei Corporation, Florence	\$ 46,500.00
T21-23059 – Florida Tile, Inc., Lawrenceburg	\$ 38,843.00

A motion was made by Nicholas Rapier to approve these applications. Jeff Whitehead seconded the motion. Motion carried.

BSSC Staff – Brittany Cox/Kate McCane recommended the following Skills-Training-Investment-Credit (STIC) applications to the BSSC Board for approval:

T21-23080 – Stairtek, Inc., Erlanger	\$ 16,295.00
T21-23064 – Link-Belt Cranes, L.P., LLLP, Lexington	\$ 75,000.00

A motion was made by Nicholas Rapier to approve these applications. Rita Combs-Sterrett seconded the motion. Motion carried.

BSSC Staff – Sarah Butler/Kate McCane recommended the following Skills-Training-Investment-Credit (STIC) application to the BSSC Board for approval:

T21-23055 – Amtrol, Inc., Paducah	\$ 44,500.00
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A motion was made by Aimee Wulfeck to approve this application. Zach Weinberg seconded the motion. Motion carried.

BSSC Staff – Martin David-Jacobs/Christy Wingate recommended the following Skills-Training-Investment-Credit (STIC) application to the BSSC Board for approval:

T21-23053 – Winston Industries, LLC, Louisville	\$ 64,401.00
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A motion was made by Rita Combs-Sterrett to approve this application. John Kuzuoka seconded the motion. Motion carried.

### **Old Business**

- Audit update – MCM CPAs & Advisors LLP

Sarah Butler informed the board that the audit was completed, and the company is working on finalizing the report. The auditors are expected to present the report during the September 30, 2020.

BSSC Amended and Restated Grant-In-Aid and Investment Credit Agreement Toyotetsu Mid America, LLC (Daviness County) BSSC Project # T19-22515 and # G19-22516

Ms. Butler presented a Grant-In-Aid (GIA) and Skills Training Investment Credit (STIC) amendment for Toyotetsu Mid America, LLC. The company has a manufacturing facility in Owensboro.

The company received approval for a GIA and an approval for a STIC on May 29, 2019 in the name of Toyotetsu America, Inc. dba Toyotetsu Mid America, LLC. After the company submitted the reimbursement request for the STIC for final approval, staff discovered a discrepancy with the company's name and Federal Employee ID number from the original application. The company name approved should have been Toyotetsu Mid America, LLC.

BSSC Staff recommends amending the GIA and STIC Agreements to reflect the correct name Toyotetsu Mid America, LLC and the Federal Employee ID number as listed on the correct W9-form submitted by the company. All other aspects of the project remain the same.

A motion was made by John Kuzuoka to approve the amendment and Nicholas Rapier seconded the motion. Motion carried.

### **New Business**

- Resolution of Recognition for retired BSSC Board Members  
W. Carl Lay, Randal D. Fox, Tom Lund, and Torsten Langguth

Mr. Bokey presented Resolutions of the Bluegrass States Skills Corporation to recognize the service and leadership of W. Carl Lay for the last 17 years to the Commonwealth of Kentucky, Randal D. Fox for the last 14 years, 7 as the BSSC Board Chair, Tom Lund for the last 10 years, and Torsten Langguth for the last 6 years to the Commonwealth of Kentucky



Resolutions read and adopted as of July 29, 2020.

A motion was made by Jai Bokey to approve the resolution, and Brenda Bankston seconded the motion. Motion carried.

**Next Board Meeting – Ellen Felix**

The next meeting of the Bluegrass State Skills Corporation Board of Directors will be held on September 30, 2020, at 1:00 p.m. at the Cabinet for Economic Development, Old Capitol Annex, 1<sup>st</sup> Floor Conference Room, 300 West Broadway, Frankfort, Kentucky.

**Adjournment – Jai Bokey**

A motion to adjourn the meeting was made by Nicholas Rapier and second by Rita Combs-Sterrett. Motion carried.

Sincerely submitted,



Sarah C. Butler  
Director, Incentive Administration Division

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# **Bluegrass State Skills Corporation**

## **FINANCIAL REPORT**



# BSSC FUNDS REPORT

9/25/2020

## RESOURCES AVAILABLE

Regular Appropriation	4,311,800
Special Appropriation (Ford Motor Company)	1,000,000
Continued Appropriation	6,052,478
HB265 -2012 Session Add'l Funds Available*	1,879,000
OET Rapid Response Funds Carry Forward	482,337
<b>TOTAL RESOURCES</b>	<b>13,725,615</b>

## EXPENDITURES YTD

BSSC Funds	931,865
OET Rapid Response Funds	203,342
Total Expenditures as of 9/25/2020	<b>1,135,207</b>

## OBLIGATIONS REMAINING

Regular/Commitment/OET Grants	5,799,166
Ford Commitment	1,000,000
Proposals	0
<b>TOTAL OBLIGATIONS</b>	<b>6,799,166</b>

<b>TOTAL FUNDS AVAILABLE FOR ADDITIONAL OBLIGATIONS THIS FISCAL YEAR</b>	<b>5,791,242</b>
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Secretary's Funds	2,333,052
Regular Grant Funds	2,819,844
COVID Grant Funds	359,351
OET Rapid Response Funds	278,995
<b>TOTAL FUNDS AVAILABLE FOR ADDITIONAL OBLIGATIONS THIS FISCAL YEAR</b>	<b>5,791,242</b>

\*\$9,500,000 lapsed to General Fund, per HB 265, 2012 Session.  
Two draws were made in FY 2013 of \$1,200,000 and \$600,000.  
One draw was made in FY 2015 of \$750,000.  
Two draws were made in FY 2018 for \$2,950,000 and \$457,400  
One draw was made in FY 2019 of \$1,663,600

# BSSC FUNDS REPORT

9/25/2020

Base Amount	\$	563,987
Recaps - OET FUNDS	\$	278,995
		<hr/>
Amount Available for Regular Grants - Sept 2020 Board Meeting	\$	842,982

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# **Bluegrass State Skills Corporation**

## **APPLICATIONS - GIA**



**Grant-In-Aid (GIA) Projects  
September 2020**

Score	Qualified Company	City	Number of Trainees	Incentive Amount
92	DTS Industries LLC	Annnville	19	\$36,740
85	Kentucky Cooperage LP, Ltd.	Lebanon	250	\$75,000
84	Children's Home of Northern Kentucky, Inc.	Covington	75	\$75,000
82	Roll Forming Corporation	Shelbyville	250	\$75,000
82	The Training Consortium of South Central Kentucky, Inc.	Bowling Green	2213	\$75,000
81	Divisions Inc. dba Divisions Maintenance Group	Newport	100	\$75,000
81	Marquette Transportation Company LLC	Paducah	67	\$75,000
80	The Corken Steel Products Company	Louisville	15	\$30,000
80	Benda-Lutz Corporation	Independence	28	\$56,000*
80	Total Quality Logistics, LLC	Louisville	112	\$75,000*
79	AGC Flat Glass North America, Inc.	Richmond	75	\$75,000*
79	Ellison Surface Technologies, Inc.	Hebron	50	\$72,995*
<b>12 Projects</b>			<b>Total</b>	<b>\$795,735</b>

\*Projects funded from OET Recap

Note: The Grant-In-Aid amount will be equal to \$2,000 per trainee, not to exceed the maximum approved amount of \$75,000 per company location for each fiscal year. The total amount of Grant-In-Aid incentives available for the entire program shall not exceed \$4,300,000 in any fiscal year.

Regular Grant Fund Balance	\$2,819,844
Recaptured Amount	\$0
2021 FY Projected/Approved Grants	(\$516,740)
<b>Remaining Regular Grant Funds</b>	<b>\$2,303,104</b>

**BLUEGRASS STATE SKILLS CORPORATION  
BOARD OF DIRECTORS**

**BSSC COMPETITIVE GRANT-IN-AID PROJECT REPORT**

**Date:** September 30, 2020  
**Company:** DTS Industries LLC  
**City:** Annsville **County:** Jackson  
**Industry Sector:** Manufacturing **BSSC #:** G21-23105  
**Bus. Devp. Contact:** B. Burton **DFS Staff:** C. Wingate

**Training Description:**

DTS Industries LLC provides metal fabrication and assembly, mechanical and electronic assembly, as well as vacuum form molding. The training plan includes accounting, payroll and Human Resources. Training is also planned for inventory control, sales order accuracy, real-time cost accounting and real-time P&L. Additional training will certify welders to be able to produce pressure vessels.

**Training Details:**

Classroom/OJT - In-House  
 Classroom/OJT - Consultant/Educational Institution  
 Instructional Materials & Supplies  
**Total Costs**

Total Costs	50% of Total Costs
\$ 69,880	\$ 34,940
\$ -	\$ -
\$ 3,600	\$ 1,800
<b>\$ 73,480</b>	<b>\$ 36,740</b>

Number of Trainees

19
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**Employment & Wage Information:**

Existing Employment	Projected New Employees
33	4

Average Hourly Wage	Total Hourly Compensation
\$ 23.00	\$ 26.00

**Requirements:**

Total Hourly Compensation: \$12.51  
 Base Hourly Wage: \$10.88

**BSSC Grant Recommended for Approval**

<b>\$36,740</b>
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**Application Score**

92
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**BLUEGRASS STATE SKILLS CORPORATION  
BOARD OF DIRECTORS**

**BSSC COMPETITIVE GRANT-IN-AID PROJECT REPORT**

**Date:** September 30, 2020  
**Company:** Marquette Transportation Company LLC  
**City:** Paducah **County:** McCracken  
**Industry Sector:** National/Regional Headquarters **BSSC #:** G21-23114  
**Bus. Devp. Contact:** B. Burton **DFS Staff:** C. Wingate

**Training Description:**

Marquette Transportation Company, LLC (Marquette) is a marine transportation company based in Paducah, Kentucky. Marquette operates over 800 barges with a fleet of more than 50 line-haul vessels, over 60 inland towing vessels, and 9 offshore tugboats. The training plan includes Safety training, US Coast Guard and other regulatory required training, leadership training, engineers and pilots.

**Training Details:**

Classroom/OJT - In-House  
 Classroom/OJT - Consultant/Educational Institution  
 Instructional Materials & Supplies  
**Total Costs**

	<b>Total Costs</b>	<b>50% of Total Costs</b>
	\$ 132,931	\$ 66,465
	\$ 18,848	\$ 9,424
	\$ -	\$ -
	<b>\$ 151,779</b>	<b>\$ 75,889</b>

Number of Trainees

67
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**Employment & Wage Information:**

<b>Existing Employment</b>	<b>Projected New Employees</b>
267	27

<b>Average Hourly Wage</b>	<b>Total Hourly Compensation</b>
\$ 37.70	\$ 43.35

**Requirements:**

Total Hourly Compensation: \$12.51  
 Base Hourly Wage: \$10.88

**BSSC Grant Recommended for Approval**

<b>\$75,000</b>
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**Application Score**

81
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**BLUEGRASS STATE SKILLS CORPORATION  
BOARD OF DIRECTORS**

**BSSC COMPETITIVE GRANT-IN-AID PROJECT REPORT**

**Date:** September 30, 2020  
**Company:** The Training Consortium of South Central Kentucky, Inc.  
**City:** Bowling Green **County:** Warren  
**Industry Sector:** Consortia **BSSC #:** G21-23132  
**Bus. Devp. Contact:** B. Cox **DFS Staff:** C. Wingate

**Training Description:**

The Training Consortium of South Central Kentucky, Inc. (CSCKY) provides a platform for cost-effective, collaborative and industry-driven training for member companies in a variety of sectors. The training is necessary to upgrade the skill sets of the local workforce, (incumbent, unemployed or underemployed), to aid member companies in retaining qualified and skilled employees and to remain competitive on a global scale. The CSCKY will offer verbal, non-verbal and written communication, customer service, management, leadership development, supervisory, critical thinking, project and time management training. The CSCKY will also offer technical skills training such as Kaizen, 5S and computer training, as well as Group Leader, Supervisor and Excel Certificate programs.

**Training Details:**

Classroom/OJT - In-House  
 Classroom/OJT - Consultant/Educational Institution  
 Instructional Materials & Supplies  
**Total Costs**

Total Costs	50% of Total Costs
\$ -	\$ -
\$ 207,756	\$ 103,878
\$ -	\$ -
\$ 207,756	\$ 103,878

Number of Trainees

2,213
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**Employment & Wage Information:**

Existing Employment	Projected New Employees
116	0

Average Hourly Wage	Total Hourly Compensation
\$ 23.61	\$ 34.16

**Requirements:**

Total Hourly Compensation: \$12.51  
 Base Hourly Wage: \$10.88

**BSSC Grant Recommended for Approval**

\$75,000
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**Application Score**

82
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**BLUEGRASS STATE SKILLS CORPORATION  
BOARD OF DIRECTORS  
BSSC COMPETITIVE GRANT-IN-AID PROJECT REPORT**

**Date:** September 30, 2020  
**Company:** Children's Home of Northern Kentucky, Inc.  
**City:** Covington **County:** Kenton  
**Industry Sector:** Healthcare **BSSC #:** G21-23084  
**Bus. Devp. Contact:** E. Bishop **DFS Staff:** C. Wingate

**Training Description:**

The Children's Home of Northern Kentucky (CHNK) is a premier provider of behavioral healthcare and substance abuse treatment services for adolescents. The training plan includes innovative and robust training initiatives including Trauma Informed Care, Safe Crisis Management, Medication Administration, Clinical Supervision, Stewards of Children, Dialectical Behavioral, Care Logic, Reporting, Software, and CPR/First Aid.

**Training Details:**

Classroom/OJT - In-House  
 Classroom/OJT - Consultant/Educational Institution  
 Instructional Materials & Supplies  
**Total Costs**

<b>Total Costs</b>		<b>50% of Total Costs</b>	
\$	85,441	\$	42,721
\$	74,869	\$	37,434
\$	-	\$	-
<b>\$</b>	<b>160,310</b>	<b>\$</b>	<b>80,155</b>

Number of Trainees

75
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**Employment & Wage Information:**

<b>Existing Employment</b>	<b>Projected New Employees</b>
61	14

<b>Average Hourly Wage</b>	<b>Total Hourly Compensation</b>
\$ 19.69	\$ 22.64

**Requirements:**

Total Hourly Compensation: \$12.51  
 Base Hourly Wage: \$10.88

**BSSC Grant Recommended for Approval**

<b>\$75,000</b>
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**Application Score**

<b>84</b>
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**BLUEGRASS STATE SKILLS CORPORATION  
BOARD OF DIRECTORS**

**BSSC COMPETITIVE GRANT-IN-AID PROJECT REPORT**

**Date:** September 30, 2020  
**Company:** Divisions, Inc. dba Divisions Maintenance Group  
**City:** Newport **County:** Campbell  
**Industry Sector:** National/Regional Headquarters **BSSC #:** G21-23040  
**Bus. Devp. Contact:** E. Bishop **DFS Staff:** C. Wingate

**Training Description:**

Divisions, Inc. dba Divisions Maintenance Group, headquartered in Newport, provides integrated facilities management services across the country. The training plan includes industry skill sets for Customer Service/IT/OSHA/Property Management as well as in-house training and continuous education.

**Training Details:**

Classroom/OJT - In-House  
 Classroom/OJT - Consultant/Educational Institution  
 Instructional Materials & Supplies  
**Total Costs**

<b>Total Costs</b>	<b>50% of Total Costs</b>
\$ 534,086	\$ 267,043
\$ -	\$ -
\$ 23,264	\$ 11,632
<b>\$ 557,350</b>	<b>\$ 278,675</b>

Number of Trainees

100
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**Employment & Wage Information:**

<b>Existing Employment</b>	<b>Projected New Employees</b>
159	100

<b>Average Hourly Wage</b>	<b>Total Hourly Compensation</b>
\$ 24.72	\$ 29.05

**Requirements:**

Total Hourly Compensation: \$12.51  
 Base Hourly Wage: \$10.88

**BSSC Grant Recommended for Approval**

<b>\$75,000</b>
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**Application Score**

81
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**BLUEGRASS STATE SKILLS CORPORATION  
BOARD OF DIRECTORS  
BSSC COMPETITIVE GRANT-IN-AID PROJECT REPORT**

**Date:** September 30, 2020  
**Company:** Total Quality Logistics, LLC  
**City:** Louisville **County:** Jefferson  
**Industry Sector:** Nonretail Service or Technology **BSSC #:** G21-23102  
**Bus. Devp. Contact:** E. Bishop **DFS Staff:** C. Wingate

**Training Description:**

Total Quality Logistics, LLC (TQL) is a third party logistics company. TQL arranges and manages freight for over 10,000 customers and works with over 30,000 transportation companies. The training plan includes on the job training that is 12 hours a week, for 4 weeks per trainee.

**Training Details:**

Classroom/OJT - In-House  
 Classroom/OJT - Consultant/Educational Institution  
 Instructional Materials & Supplies  
**Total Costs**

	<b>Total Costs</b>	<b>50% of Total Costs</b>
	\$ 176,662	\$ 88,331
	\$ -	\$ -
	\$ -	\$ -
	<b>\$ 176,662</b>	<b>\$ 88,331</b>

Number of Trainees

112
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**Employment & Wage Information:**

<b>Existing Employment</b>	<b>Projected New Employees</b>
99	13

<b>Average Hourly Wage</b>	<b>Total Hourly Compensation</b>
\$ 28.98	\$ 33.33

**Requirements:**

Total Hourly Compensation: \$12.51  
 Base Hourly Wage: \$10.88

**BSSC Grant Recommended for Approval**

<b>\$75,000</b>
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**Application Score**

<b>80</b>
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**BLUEGRASS STATE SKILLS CORPORATION  
BOARD OF DIRECTORS  
BSSC COMPETITIVE GRANT-IN-AID PROJECT REPORT**

**Date:** September 30, 2020  
**Company:** Roll Forming Corporation  
**City:** Shelbyville **County:** Shelby  
**Industry Sector:** Manufacturing **BSSC #:** G21-23090  
**Bus. Devp. Contact:** M. David-Jacobs **DFS Staff:** K. McCane

**Training Description:**

Roll Forming Corporation, located in Shelby County, is a metal fabrication, roll forming, welding and assembly facility. The training plan includes New Hire Training, Technical and Quality Training, Safety Training, Roll Operator Functions, Leadership Training, Electrical and Maintenance Training, IT Training, Computer Training, and Engineering Training.

**Training Details:**

Classroom/OJT - In-House  
 Classroom/OJT - Consultant/Educational Institution  
 Instructional Materials & Supplies  
**Total Costs**

<b>Total Costs</b>		<b>50% of Total Costs</b>	
\$	93,214	\$	46,607
\$	62,078	\$	31,039
\$	-	\$	-
\$	<b>155,291</b>	\$	<b>77,646</b>

Number of Trainees

250
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**Employment & Wage Information:**

<b>Existing Employment</b>	<b>Projected New Employees</b>
254	80

<b>Average Hourly Wage</b>	<b>Total Hourly Compensation</b>
\$ 20.73	\$ 25.91

**Requirements:**

Total Hourly Compensation: \$12.51  
 Base Hourly Wage: \$10.88

**BSSC Grant Recommended for Approval**

<b>\$75,000</b>
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**Application Score**

82
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**BLUEGRASS STATE SKILLS CORPORATION  
BOARD OF DIRECTORS**

**BSSC COMPETITIVE GRANT-IN-AID PROJECT REPORT**

**Date:** September 30, 2020  
**Company:** The Corken Steel Products Company  
**City:** Louisville **County:** Jefferson  
**Industry Sector:** Manufacturing **BSSC #:** G21-23066  
**Bus. Devp. Contact:** M. David-Jacobs **DFS Staff:** K. McCane

**Training Description:**

The Corken Steel Products Company is a sheet metal fabrication facility that also provides service of HVAC components. The proposed training plan includes HVAC fabrication training for counter, sales and warehouse employees, product training, fabrication training and management training.

**Training Details:**

	<b>Total Costs</b>	<b>50% of Total Costs</b>
Classroom/OJT - In-House	\$ 62,814	\$ 31,407
Classroom/OJT - Consultant/Educational Institution	\$ -	\$ -
Instructional Materials & Supplies	\$ -	\$ -
<b>Total Costs</b>	<b>\$ 62,814</b>	<b>\$ 31,407</b>

Number of Trainees 

15
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**Employment & Wage Information:**

<b>Existing Employment</b>	<b>Projected New Employees</b>
13	2

<b>Average Hourly Wage</b>	<b>Total Hourly Compensation</b>
\$ 20.82	\$ 27.07

**Requirements:**

Total Hourly Compensation: \$12.51  
 Base Hourly Wage: \$10.88

**BSSC Grant Recommended for Approval**

<b>\$30,000</b>
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**Application Score**

80
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**BLUEGRASS STATE SKILLS CORPORATION  
BOARD OF DIRECTORS  
BSSC COMPETITIVE GRANT-IN-AID PROJECT REPORT**

**Date:** September 30, 2020  
**Company:** Benda-Lutz Corporation  
**City:** Independence **County:** Boone  
**Industry Sector:** Manufacturing **BSSC #:** G21-23068  
**Bus. Devp. Contact:** B. Cox **DFS Staff:** K. McCane

**Training Description:**

Benda-Lutz Corporation is a manufacturer of printing inks and pigments. The training plan will consist of training for production operators in handling hazardous materials, training for operators in bonding and sieving, and lab tech training.

**Training Details:**

	<b>Total Costs</b>	<b>50% of Total Costs</b>
Classroom/OJT - In-House	\$ 112,911	\$ 56,455
Classroom/OJT - Consultant/Educational Institution	\$ -	\$ -
Instructional Materials & Supplies	\$ -	\$ -
<b>Total Costs</b>	<b>\$ 112,911</b>	<b>\$ 56,455</b>

Number of Trainees 28

**Employment & Wage Information:**

<b>Existing Employment</b>	<b>Projected New Employees</b>
24	4

<b>Average Hourly Wage</b>	<b>Total Hourly Compensation</b>
\$ 23.98	\$ 31.17

**Requirements:**

Total Hourly Compensation: \$12.51  
 Base Hourly Wage: \$10.88

**BSSC Grant Recommended for Approval** **\$56,000**

**Application Score** **80**

**BLUEGRASS STATE SKILLS CORPORATION  
BOARD OF DIRECTORS**

**BSSC COMPETITIVE GRANT-IN-AID PROJECT REPORT**

**Date:** September 30, 2020  
**Company:** AGC Flat Glass North America, Inc.  
**City:** Richmond **County:** Madison  
**Industry Sector:** Manufacturing **BSSC #:** G21-23033  
**Bus. Devp. Contact:** B. Cox **DFS Staff:** K. McCane

**Training Description:**

AGC Flat Glass North America, Inc. manufactures flat glass for the automotive industry. The proposed training plan consists of multiple courses for Hot End and Cold End processes and quality control, new hire training and technical training, teaming and collaboration, conflict management, change management, communication training and safety training.

**Training Details:**

	<b>Total Costs</b>	<b>50% of Total Costs</b>
Classroom/OJT - In-House	\$ 316,750	\$ 158,375
Classroom/OJT - Consultant/Educational Institution	\$ 25,792	\$ 12,896
Instructional Materials & Supplies	\$ -	\$ -
<b>Total Costs</b>	<b>\$ 342,542</b>	<b>\$ 171,271</b>

Number of Trainees 

75
----

**Employment & Wage Information:**

<b>Existing Employment</b>	<b>Projected New Employees</b>
161	4

<b>Average Hourly Wage</b>	<b>Total Hourly Compensation</b>
\$ 22.79	\$ 28.94

**Requirements:**

Total Hourly Compensation: \$12.51  
 Base Hourly Wage: \$10.88

**BSSC Grant Recommended for Approval**

<b>\$75,000</b>
-----------------

**Application Score**

79
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**BLUEGRASS STATE SKILLS CORPORATION  
BOARD OF DIRECTORS**

**BSSC COMPETITIVE GRANT-IN-AID PROJECT REPORT**

**Date:** September 30, 2020  
**Company:** Ellison Surface Technologies, Inc.  
**City:** Hebron **County:** Boone  
**Industry Sector:** Manufacturing **BSSC #:** G21-23041  
**Bus. Devp. Contact:** B. Leep **DFS Staff:** C. Wingate

**Training Description:**

Ellison Surface Technologies, Inc. provides industrial, plastic, automotive and elastomer coatings in the aerospace and defense, power generation and industrial industries. The training plan includes Lean End User, management training, company performance, black belt training and production training in Sprayer, Masker, Post Processing, Grit Blast, and Tooling, Cribs and Maintenance areas. Also included are train the trainer courses for shop floor trainers, production training, and new employee orientation training.

**Training Details:**

	<b>Total Costs</b>	<b>50% of Total Costs</b>
Classroom/OJT - In-House	\$ 196,725	\$ 98,363
Classroom/OJT - Consultant/Educational Institution	\$ 13,077	\$ 6,538
Instructional Materials & Supplies	\$ -	\$ -
<b>Total Costs</b>	<b>\$ 209,802</b>	<b>\$ 104,901</b>

Number of Trainees 

50
----

**Employment & Wage Information:**

<b>Existing Employment</b>	<b>Projected New Employees</b>
74	6

<b>Average Hourly Wage</b>	<b>Total Hourly Compensation</b>
\$ 20.01	\$ 24.21

**Requirements:**

Total Hourly Compensation: \$12.51  
 Base Hourly Wage: \$10.88

**BSSC Grant Recommended for Approval**

<b>\$72,995</b>
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**Application Score**

79
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# **Bluegrass State Skills Corporation**

## **APPLICATIONS - GIA & STIC**



**BLUEGRASS STATE SKILLS CORPORATION  
BOARD OF DIRECTORS  
BSSC COMPETITIVE GRANT-IN-AID PROJECT REPORT**

**Date:** September 30, 2020  
**Company:** Kentucky Cooperage LP, Ltd.  
**City:** Lebanon **County:** Marion  
**Industry Sector:** Manufacturing **BSSC #:** G21-23083  
**Bus. Devp. Contact:** Martin David-Jacobs **DFS Staff:** K. McCane

**Training Description:**

Kentucky Cooperage LP, Ltd. is a manufacturer of barrels, barrel supplies and byproducts for the bourbon and agricultural industries. The training plan will include: new hire onboarding, timeclock training, bourbon barrel identification training, quality overview training, defect recognition training, basic proofing, proper barrel handling and material handling and machine operation.

**Training Details:**

Classroom/OJT - In-House  
 Classroom/OJT - Consultant/Educational Institution  
 Instructional Materials & Supplies  
**Total Costs**

Total Costs	50% of Total Costs
\$ 182,000	\$ 91,000
\$ -	\$ -
\$ -	\$ -
<b>\$ 182,000</b>	<b>\$ 91,000</b>

Number of Trainees

250
-----

**Employment & Wage Information:**

Existing Employment	Projected New Employees
480	40

Average Hourly Wage	Total Hourly Compensation
\$ 18.00	\$ 24.00

**Requirements:**

Total Hourly Compensation: \$12.51  
 Base Hourly Wage: \$10.88

**BSSC Grant Recommended for Approval**

<b>\$75,000</b>
-----------------

**Application Score**

85
----

**BLUEGRASS STATE SKILLS CORPORATION  
BOARD OF DIRECTORS  
BSSC SKILLS TRAINING INVESTMENT CREDIT REPORT**

**Date:** September 30, 2020  
**Company:** Kentucky Cooperage LP, Ltd.  
**City:** Lebanon **County:** Marion  
**Industry Sector:** Manufacturing **BSSC #:** T21-23082  
**Bus. Devp. Contact:** Martin David-Jacobs **DFS Staff:** K. McCane

**Training Description:**

Kentucky Cooperage LP, Ltd. is a manufacturer of barrels, barrel supplies and byproducts for the bourbon and agricultural industries. The training plan include new hire training, OTJ barrel manufacturing, continued education for current employees, seminars, and group training sessions.

**Training Details:**

Classroom/OJT - In-House  
 Classroom/OJT - Consultant/Educational Institution  
 Instructional Materials & Supplies  
**Total Costs**

	<b>Total Costs</b>	<b>50% of Total Costs</b>
	\$ 196,400	\$ 98,200
	\$ -	\$ -
	\$ -	\$ -
	<b>\$ 196,400</b>	<b>\$ 98,200</b>

Number of Trainees

270
-----

**Employment & Wage Information:**

<b>Existing Employment</b>	<b>Projected New Employees</b>
480	40

<b>Average Hourly Wage</b>	<b>Total Hourly Compensation</b>
\$ 18.00	\$ 24.00

**Requirements:**

Total Hourly Compensation: \$12.51  
 Base Hourly Wage: \$10.88

**BSSC Tax Credit Recommended for Approval**

<b>\$75,000</b>
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**Application Score**

85
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# **Bluegrass State Skills Corporation**

## **APPLICATIONS - STIC**



**Skilled Training Investment Credit (STIC) Projects  
September 2020**

<b>Score</b>	<b>Eligible Company</b>	<b>City</b>	<b>Number of Trainees</b>	<b>Incentive Amount</b>
85	Kentucky Cooperage LP, Ltd.	Lebanon	270	\$75,000
70	Jewel-Craft, Inc.	Erlanger	30	\$75,000
69	North American Stainless, Inc.	Ghent	739	\$75,000
<b>3</b>		<b>Total</b>	<b>1039</b>	<b>\$225,000</b>

<b>FY 2020-21 Tax Credit Limit</b>	<b>\$2,500,000</b>
Current FY Projected Approved Credits	\$ 591,039
<b>Remaining Tax Credits</b>	<b>\$1,908,961</b>

Note: The tax credit amount will be equal to \$500 per employee, not to exceed the maximum approved tax credit of \$75,000 per company for each fiscal year. Per KRS 154.12-207, the maximum amount of credits that may be committed in each state fiscal year shall be capped at \$2,500,000.

**BLUEGRASS STATE SKILLS CORPORATION  
BOARD OF DIRECTORS  
BSSC SKILLS TRAINING INVESTMENT CREDIT REPORT**

**Date:** September 30, 2020  
**Company:** Jewel-Craft, Inc.  
**City:** Erlanger **County:** Kenton  
**Industry Sector:** Nonretail Service or Technology **BSSC #:** T21-23133  
**Bus. Devp. Contact:** E. Bishop **DFS Staff:** C. Wingate

**Training Description:**

Jewel-Craft, Inc. is a service company that provides custom manufacturing and repair work for the retail jewelry industry across the United States. The training plan consists of leadership training that includes sessions on team cohesiveness, building relationships, competency, individual development plans, innovation and visioning for the future and team alignment.

**Training Details:**

	Total Costs	50% of Total Costs
Classroom/OJT - In-House	\$ -	\$ -
Classroom/OJT - Consultant/Educational Institution	\$ 197,619	\$ 98,810
Instructional Materials & Supplies	\$ 5,250	\$ 2,625
<b>Total Costs</b>	<b>\$ 202,869</b>	<b>\$ 101,435</b>

Number of Trainees 30

**Employment & Wage Information:**

Existing Employment	Projected New Employees
198	12

Average Hourly Wage	Total Hourly Compensation
\$ 30.63	\$ 35.41

**Requirements:**

Total Hourly Compensation: \$12.51  
 Base Hourly Wage: \$10.88

**BSSC Tax Credit Recommended for Approval**

**\$75,000**

**Application Score**

70

**BLUEGRASS STATE SKILLS CORPORATION  
BOARD OF DIRECTORS  
BSSC SKILLS TRAINING INVESTMENT CREDIT REPORT**

**Date:** September 30, 2020  
**Company:** North American Stainless, Inc.  
**City:** Ghent **County:** Carroll  
**Industry Sector:** Manufacturing **BSSC #:** T21-23111  
**Bus. Devp. Contact:** B. Cox **DFS Staff:** K. McCane

**Training Description:**

Founded in 1990, North American Stainless, Inc. (NAS) has undertaken several phases of expansion to become the largest, fully integrated stainless steel producer in the U.S. The training plan consists of an in-house mechanical training program and an electrical training program. The plan also includes first responder training, new hire training, safety training and new leadership training.

**Training Details:**

Classroom/OJT - In-House  
 Classroom/OJT - Consultant/Educational Institution  
 Instructional Materials & Supplies  
**Total Costs**

<b>Total Costs</b>		<b>50% of Total Costs</b>	
\$	328,569	\$	164,285
\$	-	\$	-
\$	-	\$	-
\$	<b>328,569</b>	\$	<b>164,285</b>

Number of Trainees

739
-----

**Employment & Wage Information:**

<b>Existing Employment</b>	<b>Projected New Employees</b>
739	8

<b>Average Hourly Wage</b>	<b>Total Hourly Compensation</b>
\$ 37.84	\$ 49.19

**Requirements:**

Total Hourly Compensation: \$12.51  
 Base Hourly Wage: \$10.88

**BSSC Tax Credit Recommended for Approval**

<b>\$75,000</b>
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**Application Score**

69
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# **Bluegrass State Skills Corporation**

## **APPLICATIONS - COMMITMENT**



**Commitment Grant-In-Aid (GIA) Project  
September 2020**

<b>Qualified Company</b>	<b>City</b>	<b>Number of Trainees</b>	<b>Incentive Amount</b>
Virtus Precision Tube, LLC	Franklin	59	\$50,000.00
Feralloy Corporation	Ghent	30	\$49,730.00
<b>2 Projects</b>	<b>Total</b>	<b>89</b>	<b>\$99,730.00</b>

<b>Commitment Balance</b>	<b>\$2,305,095.00</b>
<b>Current Approved Grant Amount</b>	<b>\$99,730.00</b>
<b>Remaining Commitment Balance</b>	<b>\$2,205,365.00</b>

**BLUEGRASS STATE SKILLS CORPORATION  
BOARD OF DIRECTORS**

**BSSC COMMITMENT GRANT-IN-AID PROJECT REPORT**

**Date:** September 30, 2020  
**Company:** Virtus Precision Tube, LLC  
**City:** Franklin **County:** Simpson  
**Industry Sector:** Manufacturing **BSSC #:** G21-23126  
**Bus. Devp. Contact:** E. Bishop **DFS Staff:** C. Wingate

**Training Description:**

Virtus Precision Tube, LLC is located in Franklin, Simpson County, and has been producing internally enhanced copper tubes since 1969. The facility was recently awarded business for a new copper smelting project. The high value added copper tubing is used in heat exchangers which are assembled into both residential and commercial air conditioners. The training plan will consist of OJT and classroom training on the following topics: operating and maintaining equipment, safety and quality, coolers, inductors, launder, spectrometer, refractory installation, and furnaces. The process training will include spinner block, cascade, in-line annealer, and innergrove tube machines and conveyors.

**Training Details:**

Classroom/OJT - In-House  
 Classroom/OJT - Consultant/Educational Institution  
 Instructional Materials & Supplies  
 Train-the-Trainer Travel  
**Total Costs**

	<b>Total Costs</b>	<b>50% of Total Costs</b>
\$	184,419	\$ 92,210
\$	-	\$ -
\$	-	\$ -
\$	-	\$ -
<b>\$</b>	<b>184,419</b>	<b>\$ 92,210</b>

Number of Trainees

59
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**Employment & Wage Information:**

<b>Existing Employment</b>	<b>Projected New Employment</b>
81	21

<b>Average Hourly Wage</b>	<b>Total Hourly Compensation</b>
\$ 24.40	\$ 36.60

**Requirements:**

Total Hourly Compensation: \$12.51  
 Base Hourly Wage: \$10.88

**BSSC Commitment Grant Recommended for Approval**

50,000
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**BLUEGRASS STATE SKILLS CORPORATION  
BOARD OF DIRECTORS**

**BSSC COMMITMENT GRANT-IN-AID PROJECT REPORT**

**Date:** September 30, 2020  
**Company:** Feralloy Corporation  
**City:** Ghent **County:** Gallatin  
**Industry Sector:** Manufacturing **BSSC #:** G21-23130  
**Bus. Devp. Contact:** B. Cox **DFS Staff:** K. McCane

**Training Description:**

Feralloy Corporation was started in 1954 and is now one of the leading steel service centers in the country. The company has 13 locations across the United States and Mexico. Feralloy will be starting up a process (stretch leveling) at the Gallatin location in October 2020. The training plan includes machine operating and maintenance, safety, quality, and operating procedures. During the start-up there will also be training conducted by the machine manufacturer (Butech) on site.

**Training Details:**

Classroom/OJT - In-House  
 Classroom/OJT - Consultant/Educational Institution  
 Instructional Materials & Supplies  
 Train-the-Trainer Travel  
**Total Costs**

<b>Total Costs</b>		<b>50% of Total Costs</b>	
\$	86,160	\$	43,080
\$	9,044	\$	4,522
\$	-	\$	-
\$	4,255	\$	2,128
<b>\$</b>	<b>99,459</b>	<b>\$</b>	<b>49,730</b>

Number of Trainees

30
----

**Employment & Wage Information:**

<b>Existing Employment</b>	<b>Projected New Employment</b>
10	20

<b>Average Hourly Wage</b>	<b>Total Hourly Compensation</b>
\$ 24.00	\$ 31.92

**Requirements:**

Total Hourly Compensation: \$12.51  
 Base Hourly Wage: \$10.88

**BSSC Commitment Grant Recommended for Approval**

<b>49,730</b>
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# Bluegrass State Skills Corporation

**NEW BUSINESS**



**Bluegrass State Skills Corporation**

**Financial Statements**

**Year Ended June 30, 2020**

**Bluegrass State Skills Corporation**

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Year Ended June 30, 2020**

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## **Independent Auditor's Report**

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

### **Report on the Financial Statements**

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, 2020, 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.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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## Independent Auditor's Report (Continued)

### Opinions

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, 2020, 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.

### Other Matter - Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 9 and the required supplemental information on pages 18 and 19 be presented to supplement the basic financial statements. Such information, 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 September 14, 2020 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 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 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.

 MCM CPA & Advisors LLP

Louisville, Kentucky  
September 14, 2020

## **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, 2020. 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 exceeded its liabilities as of the close of the most recent fiscal year by \$250,063
- As of the close of the most recent fiscal year, the Corporation's governmental fund reported an ending fund balance of \$250,063
- Total expenses increased \$2,483,963 (102.6%) between fiscal years
- Total general revenues increased \$2,203,962 (113.4%) 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.

**BLUEGRASS STATE SKILLS CORPORATION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

**Government-wide Financial Statements (Continued)**

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.

**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 10 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 11 and contain a similar reconciliation. See Note C to the financial statements for an additional discussion of the adjustment amounts (as applicable).

**Notes to the Financial Statements**

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 12-17.

**BLUEGRASS STATE SKILLS CORPORATION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

**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, assets exceeded liabilities by \$250,063 as of the close of the most recent fiscal year.

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

	<u>2020</u>	<u>2019</u>	Percentage Increase (Decrease)
Current assets	\$ 1,662	\$ 630	163.8%
Non-current assets	381	1,211	-68.5%
Total assets	<u>2,043</u>	<u>1,841</u>	11.0%
Current liabilities	1,793	835	114.7%
Non-current liabilities	-	-	0.0%
Total liabilities	<u>1,793</u>	<u>835</u>	114.7%
Net position	<u>\$ 250</u>	<u>\$ 1,006</u>	-75.1%

**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** below). The equity position of the Corporation in the State cash and investment pool at June 30, 2020 and 2019 represents unexpended intergovernment grant funds (see also **intergovernment grant revenue** below).

**Non-current assets** at June 30, 2020 and 2019 consist of investments representative of the equity position of the Corporation in the State cash and investment pool not otherwise classified as cash/cash equivalents.

**Current liabilities** typically consist primarily of grants payable. Grants payable as of year-end are representative of active **grant awards** (see also **grant awards**) 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.

**BLUEGRASS STATE SKILLS CORPORATION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

**FINANCIAL ANALYSIS OF THE CORPORATION (CONTINUED)**

**Government-wide Financial Analysis (Continued)**

Grants payable increased approximately \$958,000 (114.7%) between fiscal years, approximately \$521,000 of which consists of amounts payable to three specific grantees as of June 30, 2020. 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**

	<u>2020</u>	<u>2019</u>	Percentage Increase (Decrease)
Expenses			
Grant awards	\$ 4,879	\$ 2,392	104.0%
Compensation and related benefits	5	5	0.0%
Other	<u>20</u>	<u>23</u>	-13.0%
Total expenses	<u>4,904</u>	<u>2,420</u>	102.6%
Deficiency of revenues over expenses	<u>(4,904)</u>	<u>(2,420)</u>	102.6%
General revenues			
General Fund appropriations	<u>4,148</u>	<u>1,944</u>	113.4%
Change in net position	(756)	(476)	58.8%
Net position, beginning of the year	<u>1,006</u>	<u>1,482</u>	-32.1%
Net position, end of the year	<u>\$ 250</u>	<u>\$ 1,006</u>	-75.1%

**BLUEGRASS STATE SKILLS CORPORATION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

**FINANCIAL ANALYSIS OF THE CORPORATION (CONTINUED)**

**Government-wide Financial 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 funded primarily by **General Fund appropriations**. **Grant awards** are reported net of refunds. 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 \$2,487,000 (104.0%) between fiscal years primarily as a result of the increased level of grants payable at June 30, 2020.

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

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

**General Fund appropriations** from the Commonwealth are typically the primary funding source for the activities of the Corporation. Fiscal year 2020 **General Fund appropriations** exceed fiscal year 2019 **General Fund appropriations** by approximately \$2,204,000 (113.4%). This increase between fiscal years generally goes hand-in-hand with the above noted increase in **grant awards**.

Fiscal year 2018 **intergovernment grant revenue** consisted of funding received from the Kentucky Education and Workforce Development Cabinet. Such grant funds are 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. **Net position** at June 30, 2020 and 2019 is thus restricted pursuant to the unexpended Kentucky Education and Workforce Development Cabinet grant funds as of year-end.

**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.

**BLUEGRASS STATE SKILLS CORPORATION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

**FINANCIAL ANALYSIS OF THE CORPORATION (CONTINUED)**

**Government Fund Financial Analysis (Continued)**

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

	<u>2020</u>	<u>2019</u>	Percentage Increase (Decrease)
Assets	\$ 2,043	\$ 1,841	11.0%
Liabilities	\$ 1,793	\$ 835	114.7%
Fund balance	<u>250</u>	<u>1,006</u>	-75.1%
Total liabilities and fund balance	<u>\$ 2,043</u>	<u>\$ 1,841</u>	11.0%

See the above discussions of **current assets**, **non-current assets**, and **current liabilities** within the Government-wide Financial Analysis section. As of and for the year ended June 30, 2020, there are no differences between the government-wide and the governmental fund financial statements.

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

	<u>2020</u>	<u>2019</u>	Percentage Increase (Decrease)
Expenditures			
Grant awards	\$ 4,879	\$ 2,392	104.0%
Compensation and related benefits	5	5	0.0%
Other	<u>20</u>	<u>23</u>	-13.0%
Total expenditures	<u>4,904</u>	<u>2,420</u>	102.6%
Deficiency of revenues over expenditures	<u>(4,904)</u>	<u>(2,420)</u>	102.6%
General revenues			
General Fund appropriations	<u>4,148</u>	<u>1,944</u>	113.4%
Change in fund balance	(756)	(476)	58.8%
Fund balance, beginning of the year	<u>1,006</u>	<u>1,482</u>	-32.1%
Fund balance, end of the year	<u>\$ 250</u>	<u>\$ 1,006</u>	-75.1%

**BLUEGRASS STATE SKILLS CORPORATION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

**FINANCIAL ANALYSIS OF THE CORPORATION (CONTINUED)**

**Government Fund Financial Analysis (Continued)**

See the above discussions within the Government-wide Financial Analysis section. As of and for the year ended June 30, 2020, there are no differences between the government-wide and the governmental fund financial statements.

**BUDGETARY HIGHLIGHTS**

During fiscal year 2020, the Corporation expended approximately \$3,111,000 of the approximately \$4,312,000 of allotments designated for "grants, loans, and benefits." Such unexpended allotments will carry forward to fiscal year 2021 and will otherwise not lapse.

There were no modifications to the budgeted appropriation amounts with respect to fiscal year 2020.

See the budgetary comparison schedule on page 18 (and the related note thereto on page 19) for additional information.

**CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS**

Notwithstanding KRS 154-12.278, if the unexpended allotments designated for "grants, loans, and benefits" are not sufficient to fund obligations to disburse both active and prospective grant awards, "Restricted Funds" (funding which could potentially be provided by the Kentucky Economic Development Finance Authority, a separate component unit of the Commonwealth of Kentucky) in an amount up to \$1,879,000 may be available to the Corporation pursuant to 2020 Regular Session House Bill 352 and 2018 Regular Session House Bill 200.

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).

As of the date the accompanying financial statements were available to be issued, the Corporation's operations have not been significantly impacted by the outbreak of the global novel coronavirus disease 2019 (COVID-19). The Corporation's operations could ultimately be adversely affected as a result of COVID-19, however the impact on the Corporation is generally not known at this point as the scale and severity of the outbreak, and the resulting short-term and long-term economic impact, is still largely unknown.

**CONTACTING THE CORPORATION'S FINANCIAL MANAGEMENT**

This financial report is designed to provide a general overview of the Corporation's finances for all of those with an interest. If you have any questions concerning the information provided in this report or need additional financial information, contact Bluegrass State Skills Corporation, Kentucky Cabinet for Economic Development, Old Capitol Annex, 300 West Broadway, 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, 2020**

	<u>Balance Sheet</u>	<u>Adjustments (Note C)</u>	<u>Statement of Net Position</u>
<b>Assets</b>			
Current assets			
Cash and cash equivalents	\$ 101,402	\$ -	\$ 101,402
Intergovernment receivables	<u>1,560,384</u>	<u>-</u>	<u>1,560,384</u>
Total current assets	<u>1,661,786</u>	<u>-</u>	<u>1,661,786</u>
Non-current assets			
Investments	<u>380,935</u>	<u>-</u>	<u>380,935</u>
Total assets	<u>\$ 2,042,721</u>	<u>-</u>	<u>2,042,721</u>
<b>Liabilities</b>			
Current liabilities			
Grants payable	<u>\$ 1,792,658</u>	<u>-</u>	<u>1,792,658</u>
<b>Fund Balance/Net Position</b>			
Restricted	<u>250,063</u>	<u>\$ -</u>	<u>\$ 250,063</u>
Total liabilities and fund balance	<u>\$ 2,042,721</u>		

See accompanying notes

**Bluegrass State Skills Corporation**  
**Statement of Revenues, Expenditures, and Changes**  
**in Fund Balance/Statement of Activities**  
**Year Ended June 30, 2020**

	Statement of Revenues, Expenditures, and Changes in <u>Fund Balance</u>	Adjustments <u>(Note C)</u>	Statement of Activities
Expenditures/expenses			
Grant awards	\$ 4,878,971	\$ -	\$ 4,878,971
Compensation and related benefits	4,844	-	4,844
Professional fees	15,944	-	15,944
Miscellaneous	4,516	-	4,516
Total expenditures/expenses	<u>4,904,275</u>	<u>-</u>	<u>4,904,275</u>
Deficiency of revenues over expenditures/ expenses	<u>(4,904,275)</u>	<u>-</u>	<u>(4,904,275)</u>
General revenues			
General Fund appropriations	<u>4,148,328</u>	<u>-</u>	<u>4,148,328</u>
Change in fund balance/net position	(755,947)	-	(755,947)
Fund balance/net position			
Beginning of the year	<u>1,006,010</u>	<u>-</u>	<u>1,006,010</u>
End of the year	<u>\$ 250,063</u>	<u>\$ -</u>	<u>\$ 250,063</u>

See accompanying notes

**Bluegrass State Skills Corporation  
Notes to the Financial Statements  
Year Ended June 30, 2020**

**Note A - 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 act 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 tax payer 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 Commonwealth's Comprehensive Annual Financial Report (CAFR) should be referred to for additional disclosures related to the Skills Training Investment Credit Act Program and the Metropolitan College Tax Credit Program, including the disclosures required by Governmental Accounting Standards Board (GASB) Statement No. 77, *Tax Abatement Disclosures*.

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

**Bluegrass State Skills Corporation**  
**Notes to the Financial Statements (Continued)**  
**Year Ended June 30, 2020**

**Note B - Summary of Significant Accounting Policies**

1. 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 CAFR 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 of 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.

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. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are 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 C.

In accordance with GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, the financial statements include a Management's Discussion and Analysis (MD&A) section providing an analysis of the Corporation's overall financial position and results of operations.

2. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

3. Cash, Cash Equivalents, and Investments

The equity position of the Corporation in the State cash and investment pool of the Commonwealth of Kentucky (the Commonwealth of Kentucky's general depository) is reported as assets of the Corporation. The Corporation considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Investments are reported at fair market value.

**Bluegrass State Skills Corporation**  
**Notes to the Financial Statements (Continued)**  
**Year Ended June 30, 2020**

**Note B - Summary of Significant Accounting Policies (Continued)**

4. 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 E for details of such transactions.

5. 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 H):

- a. Non-spendable - Consists of amounts that are not in a spendable form or are required to be maintained intact.
- b. 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.
- c. Committed - Consists of amounts constrained to specific purposes by the entity itself, using its highest level of decision-making authority (the Board of Directors).
- d. 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).
- e. Unassigned - Consists of spendable amounts that are otherwise available for any purpose.

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

- a. Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. 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.
- c. Unrestricted net position - All other net position that does not meet the definition of net investment in capital assets or restricted.

6. 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.

**Bluegrass State Skills Corporation**  
**Notes to the Financial Statements (Continued)**  
**Year Ended June 30, 2020**

**Note C - 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 (for example, compensated absences or a pension or other postemployment benefits liability and related deferred outflows and inflows of resources) 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.

As of and for the year ended June 30, 2020, there are no differences between the government-wide and the governmental fund financial statements.

**Note D - Cash, Cash Equivalents, and Investments**

The Kentucky Revised Statutes (Statutes) authorize the Corporation to invest deposits subject to its control, at its discretion, in the types of permitted investments as outlined within the Statutes. In addition, the Corporation is also allowed to participate in a cash and investment pool maintained by the Commonwealth of Kentucky. At June 30, 2020, cash and cash equivalents consist entirely of the Corporation's equity position in the State cash and investment pool (the portion that has not otherwise been classified as investments).

At June 30, 2020, investments consist entirely of the Corporation's equity position in the State cash and investment pool (the portion that has not otherwise been classified as cash and cash equivalents). Such investments are valued at the net asset value of the Corporation's equity position at year-end, a Level 2 fair value measurement (see below).

The fair value measurements framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as described below:

- Level 1 - Quoted prices in active markets for identical assets or liabilities.
- Level 2 - Observable inputs such as quoted prices in active markets for similar assets or liabilities or quoted prices for identical or similar assets or liabilities in markets that are not active or unobservable inputs that are derived principally from or corroborated by observable market data.
- Level 3 - Unobservable inputs that are based on the Corporation's own assumptions as to how knowledgeable parties would price assets or liabilities that are not corroborated by market data.

There have been no changes from June 30, 2019 in the methodologies used to determine fair value at June 30, 2020.

Valuation methodologies may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. While the Corporation believes its valuation methodologies are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The Commonwealth's CAFR should be referred to for additional disclosures required by GASB Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements*, and GASB Statement No. 40, *Deposit and Investment Risk Disclosures (an Amendment of GASB Statement No. 3)*.

**Bluegrass State Skills Corporation**  
**Notes to the Financial Statements (Continued)**  
**Year Ended June 30, 2020**

**Note E - Intergovernment Transactions**

At June 30, 2020, intergovernment receivables reported in the accompanying balance sheet/statement of net position consist of General Fund appropriations due to the Corporation in the amount of \$1,560,384.

Intergovernment grant revenue (\$1,481,956) for the year ended June 30, 2018 consisted of funding received from the Kentucky Education and Workforce Development Cabinet. Such grant funds are 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. Fund balance/net position at June 30, 2020 is thus restricted pursuant to the unexpended Kentucky Education and Workforce Development Cabinet grant funds as of year-end (\$250,063).

**Note F - General Fund Appropriations**

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.

The regular General Fund appropriations are made available to the Corporation in quarterly allotments. House Bill 352, enacted during the 2020 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 2019-2020 and 2020-2021 (the 2020-2022 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).

Notwithstanding KRS 154-12.278, if the unexpended allotments designated for "grants, loans, and benefits" are not sufficient to fund obligations to disburse both active and prospective grant awards, pursuant to House Bill 352, and 2018 Regular Session House Bill 200, "Restricted Funds" (funding which could potentially be provided by the Kentucky Economic Development Finance Authority, a separate component unit of the Commonwealth of Kentucky) in an amount up to \$1,879,000 may be available to the Corporation.

The Corporation's unexpended allotments are maintained by the Kentucky Finance and Administration Cabinet. At June 30, 2020, unexpended allotments (includes those allotments already appropriated to pay accounts payable or certain grants payable as of year-end) consist of the following:

	Beginning Unexpended Balance	Inflows	Outflows	Ending Unexpended Balance
"Personnel"	\$ -	\$ 24,900	\$ 20,788	\$ 4,112
"Operating expenses"	-	8,700	4,516	4,184
"Grants, loans, and benefits"	4,851,796	4,311,800	3,111,118	6,052,478
	<u>\$ 4,851,796</u>	<u>\$ 4,345,400</u>	<u>\$ 3,136,422</u>	<u>\$ 6,060,774</u>

**Bluegrass State Skills Corporation**  
**Notes to the Financial Statements (Continued)**  
**Year Ended June 30, 2020**

**Note G - 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 funded primarily by General Fund appropriations.

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) due to the Corporation at year-end (see Note E).

At June 30, 2020, obligations to disburse both active and prospective grant awards total approximately \$6,840,000 (includes the approximately \$1,793,000 of grants payable at June 30, 2020). 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 \$8,414,000 at June 30, 2020 (includes the \$250,063 and \$1,879,000 amounts discussed in Notes E and F, respectively).

**Note H - 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 I - 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 2020 for which no fees were assessed.

**Note J - 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 CAFR should be referred to for additional disclosures related to the Risk Management Fund.

**Note K - Global Novel Coronavirus Disease 2019**

In March 2020, the World Health Organization declared the global novel coronavirus disease 2019 (COVID-19) outbreak a pandemic. Additionally, the United States Centers for Disease Control and Prevention confirmed the spread of the disease throughout the United States. As of the date the accompanying financial statements were available to be issued, the Corporation's operations have not been significantly impacted by the COVID-19 outbreak. The Corporation's operations could ultimately be adversely affected as a result of COVID-19, however the impact on the Corporation is generally not known at this point as the scale and severity of the outbreak, and the resulting short-term and long-term economic impact, is still largely unknown.



**Required Supplemental Information**

**Bluegrass State Skills Corporation  
Budgetary Comparison Schedule  
Year Ended June 30, 2020**

	Original Budgeted Amounts			Final Budgeted Amounts			Difference Between Original and Final Budgeted Amounts	2020 Actual Amounts	Variance with Final Budgeted Amounts
	Beginning Unexpended Balance July 1, 2019	2020 Adjustments	Total	Beginning Unexpended Balance July 1, 2019	2020 Adjustments	Total			
Resources (inflows)									
General Fund appropriations	\$ 4,851,796	\$ 4,145,400	\$ 9,197,196	\$ 4,851,796	\$ 4,145,400	\$ 9,197,196	\$ -	\$ 9,197,196	\$ -
Charges to appropriations (outflows)									
*Personnel	-	24,900	24,900	-	24,900	24,900	-	20,788	(4,112)
*Operating expenses	-	8,700	8,700	-	8,700	8,700	-	4,516	(4,184)
*Grants, loans, and benefits	4,851,796	4,311,800	9,163,596	4,851,796	4,311,800	9,163,596	-	4,111,118	(6,052,478)
Total charges to appropriations (outflows)	4,851,796	4,145,400	9,197,196	4,851,796	4,145,400	9,197,196	-	3,146,422	(6,060,774)
Excess of resources (inflows) over charges to appropriations (outflows)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,060,774	\$ 6,060,774

See accompanying independent auditor's report  
and note to the budgetary comparison schedule

**Bluegrass State Skills Corporation**  
**Note to the Budgetary Comparison Schedule**  
**Year Ended June 30, 2020**

**Budgetary Basis Versus 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 generally accepted accounting principles (GAAP). An explanation of the differences between budgetary inflows and outflows and revenues and expenditures determined in accordance with GAAP follows:

Total resources (inflows) per the budgetary comparison schedule	\$ 9,197,196
Unexpended allotments as of June 30, 2020	(6,060,774)
General Fund appropriations receivable (intergovernment) as of June 30, 2020	1,560,384
General Fund appropriations receivable (intergovernment) as of June 30, 2019	(473,478)
General Fund appropriations receivable (intergovernment) as of June 30, 2020 associated with a re-issued check	<u>(75,000)</u>
Total general revenues per the statement of revenues, expenditures, and changes in fund balance	<u>\$ 4,148,328</u>
Total charges to appropriations (outflows) per the budgetary comparison schedule	\$ 3,136,422
Intergovernment grant revenue for the year ended June 30, 2018 expended during the year ended June 30, 2020	884,818
Grants payable as of June 30, 2020	1,792,658
Grants payable as of June 30, 2019	(834,623)
Grants payable as of June 30, 2020 associated with a re-issued check	<u>(75,000)</u>
Total expenditures per the statement of revenues, expenditures, and changes in fund balance	<u>\$ 4,904,275</u>



**Independent Auditor's Report 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 Bluegrass State Skills Corporation as of and for the year ended June 30, 2020, 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 September 14, 2020.

**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) to determine the 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 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 may exist that have not been identified.

**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 determination of financial statement amounts. 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*.

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**Independent Auditor's Report 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* (Continued)**

**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 the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*MUM CPA & ADVISORS LLP*

Louisville, Kentucky  
September 14, 2020

**Bluegrass State Skills Corporation  
Schedule of Findings  
Year Ended June 30, 2020**

**Schedule of Auditor's Results**

We have issued an unmodified opinion, dated September 14, 2020, on the financial statements of Bluegrass State Skills Corporation as of and for the year ended June 30, 2020.

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, 2020**

The audit as of and for the year ended June 30, 2019 disclosed no findings which were required to be reported in accordance with *Government Auditing Standards*.



# Auditor's Communication

Bluegrass State Skills  
Corporation

June 30, 2020





# Introduction

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Thank you for the opportunity to submit the following information related to our 2020 audit of Bluegrass State Skills Corporation (BSSC). We have audited the financial statements of BSSC as of and for the year ended June 30, 2020, and have issued our report thereon dated September 14, 2020. Professional standards require that we communicate to those charged with governance the following information related to our audit engagement. This communication is intended solely for the information and use of the Board of Directors and management, and is not intended to be and should not be used by anyone other than these specified parties, without obtaining our permission. Thank you for the opportunity to be of service to BSSC.





# Audit Engagement Team



**Todd Hamilton**

Engagement Partner

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**Marshall Kaufman**

Senior Associate

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# Required Communications

## MCM's Responsibilities

- + To plan and perform our audit engagement to obtain reasonable, but not absolute, assurance and to form and express an opinion about whether the financial statements, that have been prepared by management with your oversight, are free of material misstatement and are presented fairly in accordance with accounting principles generally accepted in the United States of America.
- + Our audit engagement included consideration of internal control over financial reporting as a basis for designing our procedures that were appropriate in the circumstances, but not for the purpose of expressing an opinion or providing any assurance on the effectiveness of BSSC's internal control over financial reporting.
- + As a part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of BSSC's compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. However, the objective of our tests was not to provide an opinion on compliance with such provisions.



# Required Communications (Continued)

## Management's Responsibilities

- + The financial statements, including the related notes to the financial statements, as well as the required supplemental information.
- + BSSC's internal controls.
- + MCM's audit of the financial statements does not relieve you or management of your responsibilities.





# Required Communications (Continued)

## Planned Scope and Timing of the Audit Engagement

- + MCM was engaged to audit BSSC's government-wide and governmental fund financial statements as of and for the year ended June 30, 2020. We performed the audit engagement according to the planned scope and timing as contemplated in our engagement letter dated May 5, 2020.
- + Additionally, the scope and terms of our audit engagement included a "compliance audit" of 20% of the Grant-in-aid Program projects disbursed and closed-out during the fiscal year and 20% of the Skills Training Investment Credit Act Program projects which received final approval during the fiscal year, as well as the one Metropolitan College Tax Credit Program project which received final approval during the fiscal year.
- + Lastly, we were also engaged to audit the special purpose forms (the "Closing Package") of BSSC as of and for the year ended June 30, 2020. The "Closing Package" was prepared for the purpose of complying with the instructions issued by the Commonwealth of Kentucky Finance and Administration Cabinet-Division of Statewide Accounting Services for inclusion in the Commonwealth of Kentucky's Comprehensive Annual Financial Report as of and for the year ended June 30, 2020, and is not intended to be a presentation in conformity with accounting principles generally accepted in the United States of America.



## Required Communications (Continued)

### Corrected and Uncorrected Misstatements

- + As a part of our audit we helped facilitate the preparation of the adjusting journal entries necessary to convert BSSC's "cash basis" records to the accrual basis of accounting under generally accepted accounting principles (based on information provided by BSSC).
- + In addition, MCM proposed and recorded an adjusting journal entry to record a grant payable related to the impact of a re-issued check (\$75,000).
- + Management reviewed and approved these journal entries and accepted responsibility for them.
- + There were no uncorrected financial statement misstatements identified in conjunction with our 2020 (or 2019) audit engagement.



## Required Communications (Continued)

### Accounting Policies

- + Management is responsible for the selection and use of appropriate accounting policies.
- + The significant accounting policies used by BSSC are described in Note B to the financial statements.
- + No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2020.
- + No matters came to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions or (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance of consensus.

# Required Communications (Continued)

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## Accounting Estimates

- + Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.
- + We evaluated the key factors and assumptions used to develop the estimates in determining they are reasonable in relation to the financial statements taken as a whole.





## Required Communications (Continued)

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### Accounting Estimates (Continued)

- + The most sensitive estimates affecting the financial statements pertains to:
  - + Grants Payable - 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, BSSC had not reimbursed the grantees for such expenditures until after year-end.



# Required Communications (Continued)

## Financial Statement Disclosures

- + Certain financial statement disclosures are particularly sensitive because of their significance to the financial statement users.
- + The most sensitive disclosures affecting the financial statements pertain to:
  - + Explanation of the Difference Between the Government-wide and the Governmental Fund Financial Statements (Note C)
  - + Intergovernment Transactions (Note E)
  - + General Fund Appropriations (Note F)
  - + Grant Awards (Note G)



## Required Communications (Continued)

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### Required Supplemental Information

- + With respect to the required supplemental information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplemental information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.



## Required Communications (Continued)

### Internal Control Matters

- + During the conduct of our 2020 audit engagement, we did not become aware of any material weaknesses, the definition of which is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of BSSC's financial statements will not be prevented, or detected and corrected on a timely basis.



## Required Communications (Continued)

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### **Fraud, Illegal Acts, and Non-compliance with Laws and Regulations**

- + During the conduct of our 2020 audit engagement, we did not become aware of any fraud, illegal acts, or non-compliance with laws or regulations.
- + Management is responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting BSSC involving management, employees who have significant roles in internal control, and/or others where the fraud or illegal acts could have a material effect on the financial statements.



## Required Communications (Continued)

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### **Difficulties Encountered in Performing the Audit Engagement**

+ None

### **Disagreements with Management**

+ None





## Required Communications (Continued)

### Compliance with Ethics Requirements Regarding Independence

- + The audit engagement team, others at MCM, as appropriate, and MCM have complied with all relevant ethical requirements regarding independence.
- + We are not aware of any matters that in our professional judgement would impair our independence.

### Issues Discussed Prior to the Retention of MCM

- + Related discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

## Required Communications (Continued)

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### Management's Consultations with Other Accountants

- + Management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations.
- + To our knowledge, there were no such consultations with other accountants related to the 2020 audit engagement.







## Required Communications (Continued)

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### Representations Requested from Management

- + The representations requested from management are reflected in the management representation letter dated September 14, 2020. See a copy of the signed management representation letter as attached to this communication (Appendix I).





# Required Communications (Continued)

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## Appendix I - Signed Management Representation Letter





## CABINET FOR ECONOMIC DEVELOPMENT

**Andy Beshear**  
Governor

Old Capitol Annex  
300 West Broadway  
Frankfort, Kentucky 40601

**Larry Hayes**  
Interim Secretary

September 14, 2020

**MCM CPAs & Advisors LLP**  
462 South Fourth Street  
2600 Meidinger Tower  
Louisville, Kentucky 40202

This representation letter is provided in connection with your audit of the financial statements of the governmental activities and the governmental fund of Bluegrass State Skills Corporation (Corporation) as of June 30, 2020 and for the year then ended, which comprise the respective financial position of the governmental activities and the governmental fund and the respective changes in the financial position, and the related notes to the financial statements, for the purpose of expressing an opinion on whether the financial statements are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of September 14, 2020.

### **Financial Statements**

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated May 5, 2020, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the required supplementary information in accordance with the applicable criteria.
2. We acknowledge and have fulfilled our responsibilities 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.
3. We acknowledge and have fulfilled our responsibilities for the design, implementation, and maintenance of internal control to prevent and detect fraud.
4. We acknowledge and have fulfilled our responsibilities for compliance with laws, regulations, and provisions of grants and other contractual agreements.

**Financial Statements (Continued)**

5. The financial statements are fairly presented in conformity with U.S. GAAP and include all properly classified funds, activities, and other financial information.
6. All material transactions have been properly recorded in the accounting records and are reflected in the financial statements.
7. We acknowledge our responsibility for the required supplementary information. The required supplementary information is measured and presented within prescribed guidelines. The methods of measurement and presentation have not changed from those used in the prior year. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the required supplementary information.
8. The Corporation has no plans or intentions that may materially affect the carrying value or classification of assets or liabilities.
9. The Corporation has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset or future revenue been pledged as collateral, except as disclosed to you.
10. We have disclosed to you all guarantees, whether written or oral, under which the Corporation is contingently liable.
11. No material losses exist that have not been properly accrued and/or disclosed in the financial statements.
12. We have disclosed to you all significant estimates and material concentrations known to management that are required to be disclosed in accordance with Governmental Accounting Standards Board (GASB) Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* (GASB-62). Significant estimates are estimates at the balance sheet/statement of net position date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.
13. Significant assumptions used by management in making accounting estimates, including those measured at fair value, are reasonable.
14. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
15. All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.

**Financial Statements (Continued)**

16. We are not aware of any pending or threatened litigation, claims, or assessments, or unasserted claims or assessments, whose effects should be considered when preparing the financial statements. At June 30, 2020, there are no such litigation, claims, or assessments which would warrant specific disclosure.
17. We have not consulted external legal counsel concerning litigation, claims, or assessments.
18. Deposits and investments are properly classified as to risk and investments are properly valued. Deposit and investment risks have been properly and fully disclosed.
19. Investments consist entirely of the Corporation's equity position in the State cash and investment pool (the portion that has not otherwise been classified as cash/cash equivalents). Such investments are valued at the net asset value of the Corporation's equity position at year-end, a Level 2 fair value measurement.
20. With regards to investments reported at fair value:
  - a. The underlying assumptions are reasonable and they appropriately reflect management's intent and ability to carry out its stated courses of action.
  - b. The measurement methods and related assumptions used in determining fair value are appropriate in the circumstances and have been consistently applied.
  - c. The disclosures related to fair values are complete, adequate, and in accordance with U.S. GAAP.
  - d. There are no subsequent events that require adjustments to the fair value measurements and disclosures included in the financial statements.
21. Management has made the determination that other than the equity position of the Corporation in the State cash and investment pool of the Commonwealth of Kentucky (the portion that has not otherwise been classified as cash/cash equivalents), the statements of net position do not reflect any other items carried at fair value on a recurring basis to which additional fair value related disclosure requirements would apply.
22. To the extent applicable, all components of net position, non-spendable fund balance, and restricted, committed, assigned, and/or unassigned fund balance are properly classified and, if applicable, approved.
23. To the extent applicable, the Corporation's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position/fund balance are available is appropriately disclosed and net position/fund balance is properly recognized under such policy.
24. Revenues are appropriately classified as general revenues in the statement of revenues, expenditures, and changes in fund balance/statement of activities.

**Financial Statements (Continued)**

25. Expenditures/expenses have been appropriately classified in the statement of revenues, expenditures, and changes in fund balance/statement of activities.
26. The Corporation's payroll only consists of per-diem amounts paid to the individual members of the Corporation's Board of Directors.
27. Certain of the tax incentive programs administered by the Corporation abate tax revenues of the Commonwealth of Kentucky (the Corporation's revenues are not forgone in conjunction with such programs). The abated tax revenues do not otherwise directly impact the Corporation's financial position and/or results of operations. Accordingly, the notes to the Corporation's financial statements do not address the disclosures required by GASB Statement No. 77, *Tax Abatement Disclosures* (GASB-77), since management has made the determination that GASB-77 does not apply to the Corporation's stand-alone financial statements. The Commonwealth of Kentucky's Comprehensive Annual Financial Report should be referred to for additional disclosures related to the tax incentive programs the Corporation administers, including the disclosures required by GASB-77.
28. As of the date the financial statements were available to be issued, the Corporation's operations have not been significantly impacted by the outbreak of the global novel coronavirus disease 2019 (COVID-19). The Corporation's operations could ultimately be adversely affected as a result of COVID-19, however the impact on the Corporation is generally not known at this point as the scale and severity of the outbreak, and the resulting short-term and/or long-term economic impact, is still largely unknown.
29. We understand that as part of your audit, you prepared the trial balance for use during the audit and that your preparation of the trial balance was limited to formatting information into a working trial balance.
30. We are in agreement with the journal entries you have proposed. In addition, we understand that as a part of your audit you prepared the adjusting journal entries necessary to convert our "cash basis" records to the accrual basis of accounting (based on information we provided). We acknowledge that we have reviewed and approved those entries and accepted responsibility for them.
31. In regards to your assistance with drafting the financial statements, the related notes, and the required supplementary information (and the related note), we have:
  - a. Made all management decisions and performed all management functions.
  - b. Designated a competent management-level individual with suitable skill, knowledge, and experience to oversee the services.
  - c. Evaluated the adequacy and results of the services performed.
  - d. Accepted responsibility for the results of the services performed.
  - e. Reviewed, approved, and taken responsibility for the financial statements, the related notes, and the required supplementary information (and the related note).

### **Information Provided**

1. We have provided you with:
  - a. Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.
  - b. Minutes of the meetings of the Corporation's Board of Directors or summaries of actions of recent meetings for which minutes have not yet been prepared.
  - c. Additional information that you have requested from us for purposes of the audits.
  - d. Unrestricted access to persons from whom you determined it necessary to obtain audit evidence.
2. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
3. We have provided to you our analysis of the Corporation's ability to continue as a going concern, including significant conditions and events present, and if necessary, our analysis of management's plans, and our ability to achieve such plans.
4. We have no knowledge of any fraud, allegations of fraud, and/or suspected fraud that affects the Corporation and involves:
  - a. Management;
  - b. Employees who have significant roles in internal control; or
  - c. Others where the fraud could have a material effect on the financial statements.
5. We have no knowledge of any fraud, allegations of fraud, and/or suspected fraud affecting the Corporation's financial statements communicated by employees, former employees, vendors, regulators, or others.
6. We have disclosed to you the identity of the Corporation's related parties and all the related party relationships and transactions of which we are aware.
7. To the extent applicable, we have disclosed to you all known actual or possible litigation, claims, and/or assessments whose effects should be considered when preparing the financial statements.
8. There have been no communications from regulatory agencies concerning non-compliance with or deficiencies in accounting, internal control, or financial reporting practices.
9. We are responsible for compliance with the laws, regulations, and provisions of grants and other contractual agreements applicable to the Corporation; and we have identified and disclosed to you all laws, regulations, and provisions of grants and other contractual agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.

**Information Provided (Continued)**

10. There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), or provisions of grants and other contractual agreements whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on non-compliance.
11. The Corporation has complied with all aspects of grants and other contractual agreements that would have a material effect on the financial statements in the event of non-compliance.
12. We have no knowledge of instances of non-compliance or suspected non-compliance with provisions of laws, regulations, grants, and other contractual agreements, or abuse, whose effects should be considered when preparing the financial statements.
13. To the extent applicable, we have identified and communicated to you all previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
14. To the extent applicable, we have a process to track the status of audit findings and recommendations.
15. In regards to MCM hosting certain Corporation financial data or other records on MCM's servers or MCM maintaining hardcopies of financial data or other records in a physical location MCM maintains, the Corporation, to the extent applicable, either also maintains copies of such data or other records or we have been provided hardcopies of and/or access to such data or other records.

Signed: Kathy Smoot

Title: Commissioner

Signed: J. Butler

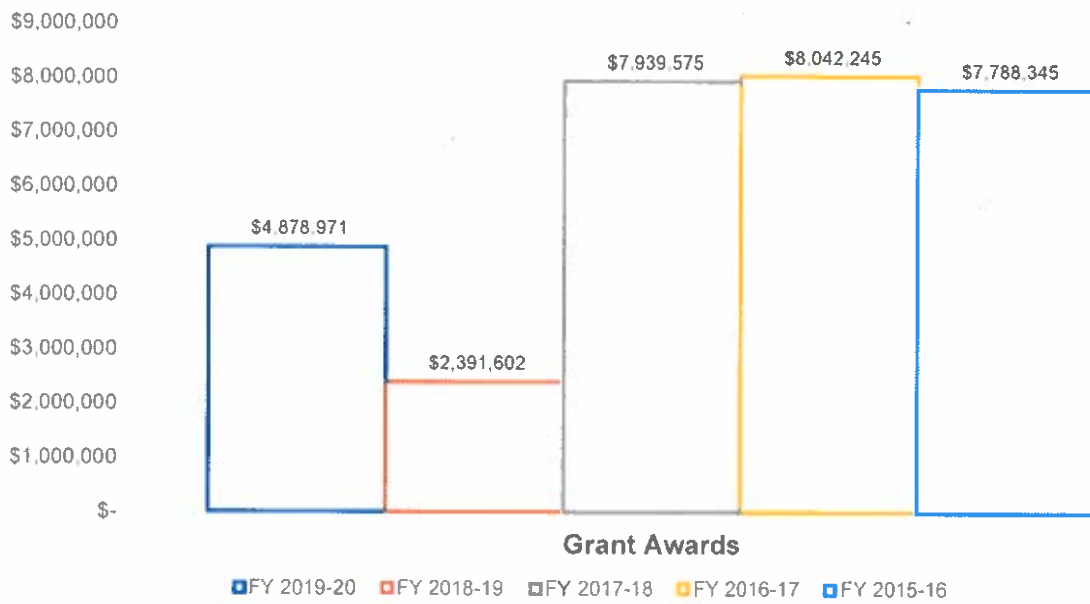
Title: Director

Signed: James Lee

Title: Tax Officer



## Appendix II - Financial Trends



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# **Bluegrass State Skills Corporation**

## **Executive Branch Code of Ethics**



**EXECUTIVE BRANCH ETHICS COMMISSION  
2020 BOARD AND COMMISSION TRAINING**

**KATHRYN GABHART  
EXECUTIVE DIRECTOR  
[KATIE.GABHART@KY.GOV](mailto:KATIE.GABHART@KY.GOV)  
(502) 892-3400 DIRECT**

**1025 CAPITAL CENTER DRIVE, SUITE 104  
FRANKFORT, KENTUCKY 40601  
[WWW.ETHICS.KY.GOV](http://WWW.ETHICS.KY.GOV)  
(502) 564-7954  
FAX (502) 695-5939**

The Executive Branch Ethics Commission is responsible for providing guidance, issuing advisory opinions, and investigating potential violations of the Executive Branch Code of Ethics ("Ethics Code"), KRS Chapter 11A. You are encouraged to seek guidance from the Ethics Commission staff if you have questions concerning ethical matters. We are a resource for you and can assist at any time. However, we encourage you to seek advice before taking a course of action that could potentially lead to a conflict of interest.

## **BOARDS AND COMMISSIONS**

**Reference Material:** *Ethical Guidelines for Members of Executive Branch Boards and Commission* (June 2019)

Appointed board and commission members, except for a select few noted in KRS 11A.010(7), are not covered by the full Ethics Code, codified at KRS Chapter 11A. However, in 2008 and again in 2020 the Governor issued Executive Orders 2008-454 and 2020-423, which apply certain concepts in the Ethics Code to board and commission members. The Ethics Commission does not have authority to charge a board or commission member with violating the Executive Order. However, the Ethics Commission may investigate possible violations of the Executive Order and refer such matters for review by the Governor to take appropriate action.

### **ADVISORY OPINIONS THAT APPLY TO BOARD AND COMMISSION MEMBERS:**

The Ethics Commission previously determined in Advisory Opinions 08-16, 09-12, and 09-21 that an individual serving on a state regulatory board should not also serve in a leadership role of a professional association comprised of individuals regulated by the state board on which he or she serves. While the dual service in and of itself may not be a conflict of interest, depending on the nature of the professional association, the Ethics Commission found it likely that conflicts will arise on such a frequent basis that the board member would in reality not be able to function in both capacities. Generally the professional associations exist, at least in part, for the purpose of lobbying the legislature and/or regulatory board, as well as to serve the interests of its members, which are the same people regulated by the state board. While the Ethics Commission believes that board members may belong to their professional associations, the Ethics Commission feels strongly that board members should no longer serve in leadership roles (e.g. voting members of the board) in their professional associations once they are appointed to their profession's regulatory board. The Ethics Commission in Advisory Opinion 09-12 further determined, however, that other members of the Board who are not serving in a leadership role within the professional association seeking financial assistance may participate in such discussions and decisions.

### EXECUTIVE ORDERS 2008-454 AND 2020-423

On May 27, 2008, Governor Steve Beshear issued Executive Order 2008-454 and 2009-882 establishing certain ethical standards for members of policy-making and regulatory boards and commissions. In Executive Order 2020-423, Governor Andy Beshear supported these standards as well. The Governors issued these standards to insure that board and commission members who serve in the public sector are accountable to the people of the Commonwealth. The ethical guidelines in the executive order do not subject board and commission members to all provisions of the Executive Branch Code of Ethics contained in KRS Chapter 11A. Members of advisory boards should also follow the standards laid out in the Governors' Executive Orders, regardless of being specifically listed.

### PROHIBITION AGAINST SELF DEALING

- No member of a state policy-making or regulatory board or commission, personally or through a business of which the member owns or controls an interest of more than 5%, or by any other person for the member's use or benefit (spouse or other family member), may hold or enjoy, in whole or in part, any contract, agreement, lease, sale, or purchase made, entered into, awarded, or granted by the board, commission, authority, council or committee on which he or she serves.
- This prohibition does not apply to purchases that are available on the same terms to the general public or which are made at public auction.

### OBLIGATION TO DISCLOSE AND

#### ABSTAIN

- A state policy-making or regulatory board or commission member must disclose to other members of the board, commission, authority, council, or committee of which he or she is a member, any direct or indirect interest in any undertaking that puts the member's personal interest in conflict with that of the board or commission on which he or she serves.
- This disclosure must be made in writing or must be recorded in the minutes of a formal meeting of the board or commission.
- A member who is required to publicly disclose a direct or indirect interest is required to abstain from all decisions concerning his or her interest if the decision will affect him or her as a member of a business, profession, occupation, or group differently from other members of the business, profession, occupation or group.
- Once a member abstains, he or she should leave the meeting room while the discussion and voting takes place on the matter and otherwise avoid influencing the decision-makers.

#### EXAMPLES

- A company owned by a member of the Horse Park Commission is prohibited from selling items to the Horse Park gift shop.
- If the brother of a member of the Executive Branch Ethics Commission wanted to provide legal services for the Commission, the member would be required to disclose his potential conflict of interest and abstain from voting on whether the Commission should contract with the member's brother.

### ACCEPTANCE OF GIFTS

- Members of policy-making or regulatory boards and commissions are subject to the gift rules applicable to executive branch public servants found in KRS 11A.045(1).
- A board or commission member, and his or her spouse and dependent children, are prohibited from accepting gifts, including but not limited to travel expenses, meals, alcoholic beverages, and honoraria, totaling a value of more than \$25 per source, in a single calendar year, from any person or business that is:
  - Doing business with
  - Regulated by
  - Seeking grants from
  - Involved in litigation against
  - Lobbying, or
  - Attempting to influence the actions of the board, commission, authority, or council on which the member serves.
- Exceptions to the gifts law:
  - A campaign contribution to a member's own campaign if in compliance with campaign finance laws
  - A gift from a family member
  - Door prizes, available to the public
  - A gift or gratuity received by a member working directly on an economic incentive package or seeking to bring tourism to the state that was accepted in the performance of the member's official duty, and
  - A ticket for admission to a sporting event if the member pays face value for the ticket or admission
  - Gifts which are allowable to agencies pursuant to KRS 45A.097.

### REGULATORY AND POLICY-MAKING

## BOARDS AND COMMISSIONS

1. Accountancy
2. Agriculture Development Board
3. Athletic Commission
4. Alcohol and Drug Counselors
5. Alcoholic Beverage Control Board
6. Architects
7. Arts Council
8. Art Therapists
9. Auctioneers Board
10. Barbering
11. Bluegrass State Skills Corporation
12. Boxing and Wrestling Authority
13. Center for the Arts Board of Directors
14. Chiropractic Examiners
15. Commission for Children with Special Health Care Needs
16. Counselors
17. Deaf and Hard of Hearing Commission
18. Dentistry
19. Dietitians and Nutritionists
20. Education Professional Standards Board
21. Elections, Board of
22. Embalmers and Funeral Directors
23. Emergency Medical Services
24. Engineers and Land Surveyors
25. Executive Branch Ethics Commission
26. Fee-Based Pastoral Counselors
27. Fish and Wildlife Resources Commission
28. Geologists
29. Hairdressers and Cosmetologists
30. Hearing Instruments
31. Heating, Ventilation and Air Conditioning Contractors
32. Heritage Council
33. Higher Education Assistance Authority
34. Higher Education Student Loan Corporation
35. Horse Park Commission
36. Horse Racing Authority
37. Human Rights Commission
38. Infrastructure Authority
39. Interpreters for the Deaf and Hard of Hearing
40. Kentucky Educational Television Authority
41. Kentucky Housing Corporation Board of Directors
42. Kentucky River Authority
43. Landscape Architects
44. Marriage and Family Therapists
45. Massage Therapy
46. Medical Licensure
47. Military Affairs, Commission on
48. Mine Safety Review Commission
49. Nursing
50. Nursing Home Administrators
51. Occupational Therapy
52. Ophthalmic Dispensers
53. Optometric Examiners
54. Personnel Board
55. Pharmacy
56. Physical Therapy
57. Podiatry
58. Private Investigators
59. Psychology
60. Real Estate Appraisers
61. Real Estate Commission
62. Registry of Election Finance
63. Respiratory Care
64. School Facilities Construction Commission
65. Social Work
66. Speech-Language Pathology and Audiology
67. State Fair Board
68. State Investment Commission
69. State Property and Buildings Commission
70. Teachers Retirement Systems Board of Trustees
71. Turnpike Authority
72. Unemployment Insurance Commission
73. Veterinary Examiners
74. Commission on Women
75. Board of Housing, Building and Construction
76. Kentucky Board of Home Inspectors
77. Board of Boiler and Pressure Vessel Rules
78. Manufactured Home Certification & Licensure Board
79. State Plumbers Examining Committee

**PREPARED BY  
EXECUTIVE BRANCH ETHICS  
COMMISSION  
AUGUST 2020**

COMMONWEALTH OF KENTUCKY

# ETHICAL GUIDELINES FOR MEMBERS OF EXECUTIVE BRANCH BOARDS AND COMMISSIONS



**EXECUTIVE ORDER 2008-454  
EXECUTIVE ORDER 2009-882  
EXECUTIVE ORDER 2020-423**

Executive Branch Ethics Commission  
Capital Complex East  
1025 Capital Center Drive, Suite 104  
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