

**Bayou Council Behavioral Health
Services, Inc.**

Financial Statements
and Independent Auditor's Report
June 30, 2012

Bayou Council Behavioral Health Services, Inc.

Financial Statements and Independent Auditor's Report
As of and for the Year Ended
June 30, 2012

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INDEPENDENT AUDITOR'S REPORT

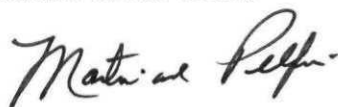
To the Board of Directors
Bayou Council Behavioral Health Services, Inc.
Thibodaux, Louisiana

We have audited the accompanying statement of financial position of Bayou Council Behavioral Health Services, Inc. (a nonprofit organization) as of June 30, 2012, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion 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. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bayou Council Behavioral Health Services, Inc. as of June 30, 2012, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 27, 2012, on our consideration of the Organization'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* and should be considered in assessing the results of our audit.



December 27, 2012

FINANCIAL STATEMENTS

Bayou Council Behavioral Health Services, Inc.

Statement of Financial Position
June 30, 2012

ASSETS

Current Assets:

Cash and cash equivalents	\$ 46,966
Unconditional promises to give:	
United Way	28,214
Governmental grants	6,075
Accounts receivable	1,050
Prepaid expenses	<u>3,894</u>

TOTAL CURRENT ASSETS 86,199

Property and equipment, net of accumulated depreciation of \$21,639	<u>41,617</u>
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TOTAL ASSETS \$ 127,816

LIABILITIES AND NET ASSETS

Liabilities:

Accounts payable	\$ 3,319
Payroll liabilities	1,643
Deferred revenue	<u>14,350</u>

TOTAL LIABILITIES 19,312

Net Assets:

Unrestricted	80,290
Temporarily restricted	<u>28,214</u>

TOTAL NET ASSETS 108,504

TOTAL LIABILITIES AND NET ASSETS \$ 127,816

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

Bayou Council Behavioral Health Services, Inc.

Statement of Activities
Year Ended June 30, 2012

UNRESTRICTED NET ASSETS

SUPPORT AND RECLASSIFICATIONS

Support	
Governmental grants	\$ 123,015
Program service fees	106,650
Other contributions	3,146
Miscellaneous income	104
TOTAL UNRESTRICTED SUPPORT	<u>232,915</u>
Reclassifications	
United Way Services funding for the year released from restriction	<u>48,272</u>
TOTAL UNRESTRICTED SUPPORT AND RECLASSIFICATIONS	<u>281,187</u>

EXPENSES

Program services	280,433
Management and general	15,830
TOTAL EXPENSES	<u>296,263</u>
DECREASE IN UNRESTRICTED NET ASSETS	<u>(15,076)</u>

TEMPORARILY RESTRICTED NET ASSETS

United Way Services grant	50,000
Net assets released from restrictions:	
Expiration of time restrictions on United Way Services funding	<u>(48,272)</u>
INCREASE IN TEMPORARILY RESTRICTED NET ASSETS	<u>1,728</u>
DECREASE IN NET ASSETS	(13,348)
NET ASSETS AT BEGINNING OF YEAR	<u>121,852</u>
NET ASSETS AT END OF YEAR	<u><u>\$ 108,504</u></u>

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

Bayou Council Behavioral Health Services, Inc.

Statement of Functional Expenses
Year Ended June 30, 2012

	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Salaries	\$ 140,287	\$ 7,384	\$ 147,671
Insurance	33,179	1,746	34,925
Contract services	27,556	1,450	29,006
Rental equipment	15,794	831	16,625
Accounting and audit	12,813	674	13,487
Payroll taxes	11,103	584	11,687
Supplies	8,553	450	9,003
Rent	8,170	430	8,600
Utilities	4,635	244	4,879
Coalition award	3,876	204	4,080
Telephone	3,767	198	3,965
Mileage	2,782	147	2,929
Consulting fees	2,616	138	2,754
Miscellaneous	2,060	109	2,169
Postage	873	46	919
Janitorial service	672	35	707
Bank and other fees	499	26	525
Food and lodging	386	20	406
Publications	350	19	369
Dues and subscriptions	257	14	271
Taxes and licenses	182	10	192
Service and repairs	23	1	24
	<hr/>	<hr/>	<hr/>
Total expenses before depreciation	280,433	14,760	295,193
	<hr/>	<hr/>	<hr/>
Depreciation	-	1,070	1,070
	<hr/>	<hr/>	<hr/>
Total expenses	<u>\$ 280,433</u>	<u>\$ 15,830</u>	<u>\$ 296,263</u>

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

Bayou Council Behavioral Health Services, Inc.

Statement of Cash Flows
Year Ended June 30, 2012

CASH FLOWS FROM OPERATING ACTIVITIES:	
Decrease in net assets	\$ (13,348)
Adjustments to reconcile decrease in net assets to net cash used in operating activities:	
Depreciation	1,070
Decrease in operating assets:	
Unconditional promises to give	688
Accounts receivable	200
Prepaid expenses	3,743
Increase in operating liabilities:	
Accounts payable	441
Payroll liabilities	357
Deferred revenue	<u>6,225</u>
NET CASH USED IN OPERATING ACTIVITIES	(624)
CASH FLOWS USED IN INVESTING ACTIVITIES:	
Purchases of property and equipment	<u>(5,891)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(6,515)
BEGINNING CASH AND CASH EQUIVALENTS	<u>53,481</u>
ENDING CASH AND CASH EQUIVALENTS	<u><u>\$ 46,966</u></u>

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

Bayou Council Behavioral Health Services, Inc.

Notes to Financial Statements
As of and For the Year Ended June 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. NATURE OF THE ORGANIZATION

Bayou Council Behavioral Health Services, Inc. (BCBHS), a Louisiana not-for-profit, voluntary health and welfare agency, provides prevention programs and education services to reduce the risk factors associated with alcohol and substance abuse. Services are available to Lafourche Parish and surrounding areas.

B. BASIS OF PRESENTATION

The financial statements are prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America.

C. CASH AND CASH EQUIVALENTS

For the purpose of the statement of cash flows, BCBHS considers all unrestricted cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

D. BAD DEBTS

The financial statements of BCBHS contain no allowance for uncollectible promises to give. Uncollectible accounts are recognized as an expense at the time information becomes available that indicates the amounts are uncollectible. While accounting principles generally accepted in the United States of America require that bad debts be recorded utilizing the allowance method, the difference between the two methods is immaterial to the Organization, as management considers all promises to give to be fully collectible.

E. PROPERTY AND EQUIPMENT

Property and equipment acquired by the Organization are considered to be owned by the Organization except for certain equipment acquired with grant funds. Title for such property may revert to the State at the completion of the grant period at the discretion of the State. Property and equipment are stated at cost. Depreciation is computed utilizing the straight-line method over the estimated useful lives of five to fifteen years. Depreciation expense for the year ended June 30, 2012 was \$1,070. Property and equipment acquisitions are capitalized if the purchase price exceeds \$300 and the asset has a useful life of greater than one year.

Bayou Council Behavioral Health Services, Inc.

Notes to Financial Statements
As of and For the Year Ended June 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

F. NET ASSETS

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of BCBHS and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes.

G. FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

H. 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.

I. INCOME TAXES

BCBHS is a not-for-profit, voluntary health and welfare agency exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. It has been classified as an organization that is not a private foundation under Section 509(a)(1) of the Internal Revenue Code and qualifies for the 50% charitable contributions deduction for individual donors.

Bayou Council Behavioral Health Services, Inc.

Notes to Financial Statements
As of and For the Year Ended June 30, 2012

NOTE 2 – FAIR VALUES OF FINANCIAL INSTRUMENTS

The Organization's financial instruments, none of which are held for trading purposes, include cash and cash equivalents, unconditional promises to give, accounts receivable, and accounts payable. Management estimates that the fair value of all financial instruments as of June 30, 2012 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of financial position.

NOTE 3 – CONCENTRATIONS OF CREDIT RISK

The Organization maintains one bank account which is insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The Organization did not exceed federally insured limits at any time during the year ended June 30, 2012.

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of promises to give due from the State of Louisiana and the United Way for South Louisiana. Because these receivables are passed through support from the federal or state governments or local donors the Organization requires no collateral for these amounts.

NOTE 4 – PROMISES TO GIVE

As of June 30, 2012, unconditional promises to give consist of the following:

<u>Other</u>	
United Way for South Louisiana	\$ 28,214
<u>Governmental</u>	
State of Louisiana:	
Department of Health and Hospitals/ Office for Addictive Disorders	6,075
Total unconditional promises to give	\$ 34,289

Bayou Council Behavioral Health Services, Inc.

Notes to Financial Statements As of and For the Year Ended June 30, 2012

NOTE 4 – PROMISES TO GIVE (Cont.)

All unconditional promises to give are due within one year and are considered to be fully collectible by management.

The amount due from United Way for South Louisiana represents the Organization's allocation for the remainder of calendar year 2012 in the amount of \$28,214 which is temporarily restricted as to the passage of time. All other unconditional promises to give are unrestricted.

NOTE 5 – PROPERTY AND EQUIPMENT

A summary of changes in property and equipment follows:

	Balance July 1, 2011	Additions	Dispositions	Balance June 30, 2012
Land	\$ 33,000	\$ -	\$ -	\$ 33,000
Fixtures and equipment	24,365	5,891	-	30,256
	57,365	5,891	-	63,256
Accumulated depreciation	(20,569)	(1,070)	-	(21,639)
	<u>\$ 36,796</u>	<u>\$ 4,821</u>	<u>\$ -</u>	<u>\$ 41,617</u>

NOTE 6 – LINE OF CREDIT

To aid in cash flow management, the Organization maintains a revolving line of credit agreement with a local bank. This agreement, which is unsecured and due on demand, includes a maximum borrowing limit of \$50,000, an interest rate of Wall Street Journal prime plus 3% (6.25% as of June 30, 2012), and requires monthly payments of three percent of the outstanding principal balance plus accrued interest. As of June 30, 2012, the Organization has no outstanding balance under this agreement.

NOTE 7 – FUNDING POLICIES

BCBHS receives local funding from the United Way for South Louisiana. These monies are received by BCBHS in monthly installments.

BCBHS receives funding on a cost reimbursement basis and fee-for-service basis from the Louisiana State Department of Health and Hospitals/Office for Addictive Disorders as pass through agent for federal funding from the United States Department of Health and Human Services.

Bayou Council Behavioral Health Services, Inc.

Notes to Financial Statements
As of and For the Year Ended June 30, 2012

NOTE 8 – GOVERNMENTAL AND OTHER GRANTS

During the year ended June 30, 2012, the Organization received unconditional promises to give in the form of grants from the following governmental and local grantors:

Governmental Grants

State of Louisiana/Department of Health and Hospitals/Office for Addictive Disorders/Prevention Services	\$113,015
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State of Louisiana/Department of Health and Hospitals/Office for Addictive Disorders/SYNAR Prevention Services	<u>10,000</u>
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\$ 123,015

Other Grants

United Way for South Louisiana	<u>\$ 50,000</u>
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NOTE 9 – OPERATING LEASES

The Organization leased the building from which it operated from an unrelated third party on a month-to-month basis, until October 31, 2011, for monthly lease payments of \$1,025. Beginning November 1, 2011, the Organization entered into a new commercial lease agreement with an unrelated third party which expires on June 30, 2016. The lease requires monthly payments of \$1,500 through June 30, 2012. Monthly rent shall increase on each yearly anniversary by \$50. At the end of the original term of the lease, the Organization has the option to renew the lease for an additional term of five years. Rent expense incurred under these leases was \$16,625 for the year ended June 30, 2012.

The Company leases a copier under a non-cancelable lease which requires monthly lease payments of \$356. This lease expires on July 17, 2013. Rent expense under this lease was \$4,608 for the year ended June 30, 2012, which includes monthly sales/use/rental tax of \$28.

Future minimum lease payments on the above copier lease are as follows:

<u>June 30,</u>	
2013	\$ 22,872
2014	19,556
2015	19,800
2016	<u>20,400</u>
	<u>\$ 82,628</u>

Bayou Council Behavioral Health Services, Inc.

Notes to Financial Statements
As of and For the Year Ended June 30, 2012

NOTE 10 – RELATED PARTY TRANSACTIONS

The Organization is considered a partner agency with the United Way for South Louisiana. United Way for South Louisiana has allocated \$50,000 to BCBHS for 2012. As of June 30, 2012, \$28,214 of that amount is receivable.

NOTE 11 – SUBSEQUENT EVENTS

Subsequent events were evaluated by management through December 27, 2012, which is the date the financial statements were available to be issued, and it was determined that no events occurred that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in this financial statement.

SPECIAL REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

**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
Bayou Council Behavioral Health Services, Inc.
Thibodaux, Louisiana

We have audited the financial statements of Bayou Council Behavioral Health Services, Inc. as of and for the year ended June 30, 2012 and have issued our report thereon dated December 27, 2012. 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.

Internal Control Over Financial Reporting

Management of Bayou Council Behavioral Health Services, Inc. is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Organization's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Bayou Council Behavioral Health Services, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

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 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 Organization's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal

Board of Directors
Bayou Council Behavioral Health Services, Inc.
Thibodaux, Louisiana

control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency in internal control over financial reporting. We consider the deficiency described in the accompanying Schedule of Findings and Responses as item 12-01 to be a significant deficiency in internal control over financial reporting. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance 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 noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Bayou Council Behavioral Health Services, Inc.'s response to the finding identified in our audit is described in the accompanying Schedule of Findings and Responses. We did not audit the Organization's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Directors, management, others within the Organization, the Louisiana Legislative Auditor, federal and state awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.



December 27, 2012

OTHER INFORMATION

Bayou Council Behavioral Health Services, Inc.

Schedule of Findings and Responses As of and For the Year Ended June 30, 2012

Section I – Summary of Auditor’s Results

1. The auditor’s report expresses an unqualified opinion on the financial statements of BCBHS.
2. One significant control deficiency (see finding 12-01) was noted during the audit of the financial statements. This significant control deficiency was not considered to be a material weakness.
3. No instances of noncompliance or other matters material to the financial statements of BCBHS, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. A management letter was not issued.

Section II – Financial Statement Findings

No findings material to the financial statements of BCBHS were noted during the audit.

Section III – Internal Control Findings

12-01

Statement of Condition: A significant deficiency in the Organization’s internal control.

Criteria: In our consideration of internal control, we noted that the size of BCBHS’s operations and its limited accounting staff preclude an adequate segregation of duties and other features of an adequate system of internal control.

Effects of Condition: The internal control, in our judgment, could adversely affect the entity’s ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Cause of Condition: The size of BCBHS and its limited accounting staff preclude an adequate segregation of duties and other features of an adequate system of internal control.

Bayou Council Behavioral Health Services, Inc.

Schedule of Findings and Responses
As of and For the Year Ended
June 30, 2012

Recommendation: The Board of Directors of BCBHS should closely monitor the activities of the Organization and implement other control procedures until the agency has grown to the point where it is cost-beneficial to employ an adequate system of internal controls.

Response: The management of BCBHS agrees with this finding.

Questioned Costs: \$ -0-

Section IV – Findings and Responses – Major Federal Award Program Audit

This section is not applicable.

Bayou Council Behavioral Health Services, Inc.

Management's Corrective Action
Plan for Current Year Findings
As of and For the Year Ended
June 30, 2012

The contact person for all corrective actions noted below is Ms. Jackie Myers, Executive Director.

Section I – Internal Control and Compliance Material to the Financial Statements

Inadequate Internal Control

Condition: A significant control deficiency in the internal control related to lack of segregation of duties.

Recommendation: The Board of Directors of Bayou Council Behavioral Health Services, Inc. should closely monitor the day-to-day activities of the Organization and implement other control procedures until the agency has grown to the point where it is cost beneficial to employ an adequate system of internal controls.

Planned Action: The Board of Directors will closely monitor the day-to-day activities of the Organization until it is financially feasible to employ additional staff.

Section II – Internal Control and Compliance Material to Federal Awards

This section is not applicable.

Section III – Management Letter

This section is not applicable.

Bayou Council Behavioral Health Services, Inc.

Schedule of Prior Findings and Resolution Matters
As of and For the Year Ended
June 30, 2012

Note: All prior findings relate to the June 30, 2011 audit engagement.

Section I – Internal Control and Compliance Material to the Financial Statements

Inadequate Internal Control

Condition: A significant deficiency in the internal control related to the lack of segregation of duties.

Recommendation: The Board of Directors of the Organization should closely monitor the day-to-day activities of the Organization and implement other control procedures until the agency has grown to the point of where it is cost beneficial to employ an adequate system of internal controls.

Planned Action: The Board of Directors will closely monitor the day-to-day activities of the Organization until it is financially feasible to employ additional staff.

Status: The Organization has implemented the recommendation; however, the lack of segregation of duties continues to exist. As such, the Board will continue to perform the recommendation.

Section II – Internal Control and Compliance Material to Federal Awards

This section is not applicable.

Section III – Management Letter

Board of Directors Meetings

Condition: Board meetings are sometimes not held due to a lack of a quorum. Organization guidelines require quarterly meetings only; however, these meetings are sometimes not held or are only held over the phone or through e-mail.

Recommendation: Board meetings should be scheduled at a time when a quorum can be present. Board members should attempt to attend all board meetings as productive meetings can increase the success of the Organization.

Status: Resolved.

Bayou Council Behavioral Health Services, Inc.

Schedule of Prior Findings and Resolution Matters
As of and For the Year Ended
June 30, 2012

Operating Budget

Condition: Budgeted amounts oftentimes vary greatly from actual operating results.

Recommendation: The Board of Directors should review periodic comparisons of budgeted amounts to actual results and amend the budget as necessary in order for the budget to be used as a good management tool.

Status: Resolved.

Reimbursements of Expenses Under Non-accountable Plan

Condition: During the examination, it was noted that expense reimbursements were made to employees related to health insurance premiums under a non-accountable plan. Such payments were not included in the employees' gross pay as required by Internal Service Regulations related to non-accountable plans.

Recommendation: As required by Internal Revenue Service regulations, we recommend that such insurance reimbursements be included in the employees' gross pay subject to the required federal and state payroll tax withholdings and included as taxable wages on the employees' annual W-2s.

Status: Resolved.