



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

Mike Foley
State Auditor

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April 11, 2011

Fred Cawiezel, Board President
Morrill Public Schools
10558 Cr. 7
Morrill, NE 69358

Dear Mr. Cawiezel,

As you know, after receiving a wide variety of financial concerns related to the operations of Morrill Public Schools (School) the Auditor of Public Accounts (APA) conducted a financial investigation, concentrating on activities occurring during the period of January 1, 2009, through February 28, 2011.

Morrill Public Schools, located in Scotts Bluff County, Nebraska, consists of an elementary and high school with a 2009-2010 combined enrollment of approximately 430 students. Superintendent of the School is Steve Osborn. The 2010-2011 School Board members are: Fred Cawiezel, President; Sandra Lutz, Vice President; Bill Zwiebel, Secretary; Jim Hessler, Treasurer; Brian Rice; Dick Buford.

As of February 28, 2011, the School had eight bank accounts with seven of the eight corresponding to a specific fund in the School's computerized accounting system - DataTeam. The reimbursement account is not recorded in the accounting system. The APA accumulated the January 1, 2009 beginning balance, activity for the period of January 2009 through February 2011, and the February 28, 2011 ending balance for each bank account from the original bank statements, summarized as follows:

Bank Account Name	Beginning Balance 1/1/2009	Deposits	Withdraws	Ending Balance 2/28/2011
General	\$ 365,602.27	\$ 11,155,309.48	\$ 11,429,183.38	\$ 91,728.37
Activities	\$ 10,844.84	\$ 250,626.49	\$ 261,129.44	\$ 341.89
Cafeteria	\$ 71,906.51	\$ 318,496.84	\$ 294,018.76	\$ 96,384.59
Reimbursement	\$ 9,671.68	\$ 147,499.33	\$ 150,651.92	\$ 6,519.09
Employee Benefits	\$ 123.70	\$ 90,170.47	\$ 88,784.83	\$ 1,509.34
Special Building	\$ 27,548.20	\$ 23,068.80	\$ 27,413.33	\$ 23,203.67
Hazardous Material	\$ 23,264.37	\$ 8,175.18	\$ 15,746.15	\$ 15,693.40
Depreciation	\$ 287,293.37	\$ 234,227.40	\$ 418,818.12	\$ 102,702.65
Total	\$ 796,254.94	\$ 12,227,573.99	\$ 12,685,745.93	\$ 338,083.00

As a result, the APA identified the following issues:

1. Bookkeeper Qualifications

Morrill Public School’s current bookkeeper, Candace Muhr, began working for the School as a bookkeeper/secretary in January 2010. Ms. Muhr was selected for this position by Steve Osborn, School Superintendent. Prior to moving into the bookkeeper/secretary position Ms. Muhr had been employed by the School as an assistant volleyball coach and para-educator. In the bookkeeper position Ms. Muhr is responsible for maintaining all financial accounts and records; preparing payroll, tax returns and other required state financial reports; paying bills monthly; and otherwise assisting the superintendent.

Ms. Muhr’s School employment application indicated no combination of educational and/or employment experience which would normally be considered sufficient minimum qualifications to effectively handle the day-to-day accounting responsibilities of School financial operations. Pay rates were not documented and/or otherwise supported in her personnel file. For calendar year 2010, Ms. Muhr received \$35,913.76 in gross wages. Ms. Muhr was paid based on an hourly rate, overtime pay at time and ½ rate, compensation for not taking the school’s insurance and other School activities. Following are examples of November 2010 and March 2011 gross pay.

November 2010			
Description	Units	Rate	Total
Hourly Wage	162.42	\$ 15.60	\$ 2,533.75
Catch-up on Insurance Reimbursement for Premium increase	61	\$ 0.81	\$ 49.41
Insurance Reimbursement-(Doesn’t take School Insurance)	1	\$ 496.16	\$ 496.16
Overtime Pay	13.06	\$ 23.40	\$ 305.60
Asst. Volleyball 1/3 of total salary	797.33	\$ 1.00	\$ 797.33
Total Gross Wages			\$ 4,182.25

March 2011			
Description	Units	Rate	Total
Activity –Scoring Basketball	12	\$ 10.00	\$ 120.00
Hourly	168.01	\$ 15.60	\$ 2,620.96
Insurance Reimbursement-(Doesn’t take School Insurance)	1	\$ 496.16	\$ 496.16
Overtime Pay	12	\$ 23.40	\$ 280.80
Total Gross Wages			\$ 3,517.92

2. Surety Bonds

The APA confirmed with the School’s insurance servicer, Lessert Insurance Agency, LLC, that the School Treasurer and Public Officials Liability insurance had been cancelled effective January 20, 2010 due to non-payment of premiums. The School has not carried any surety bond since January 2010. Subsequent to the bond cancellations, the School continued to withdraw or disburse School funds without pause.

Neb. Rev. Stat. 79-586 (Reissue 2008) requires the treasurer of each Class III school district to, within ten days after his or her election, execute a bond or evidence of equivalent insurance coverage of not less than five hundred dollars in any instance and not more than double the amount of money, as nearly as can be ascertained, to come into his or her hands as treasurer at

any one time. Such bond is intended to secure the faithful discharge of treasurer duties and if such bond is not executed, the office of treasurer is to be declared vacant by the school board with the immediate appoint of a treasurer. The treasurer has no power or authority to withdraw or disburse the money of the district prior to filing of such bond or equivalent insurance coverage.

Besides violating State Statute, when treasurer and other bonds intended to protect the school district against errors, omissions, or misconduct by school officials are canceled the school subjects itself to unguarded financial liability.

3. Supporting Documentation

The APA noted throughout the course of its investigation that the School did not maintain adequate documentation to support its financial activity, including:

- Receipts were not issued for all monies received. Receipts were written only to support deposits to the School's activity and cafeteria bank accounts.
- The School did not retain all payroll vendor invoices.
- Neb. Rev. Stat. 79-817 (Reissue 2008) requires that, "A contract for the employment of a teacher or administrator for a public school in the State of Nebraska shall be in writing". In addition, Neb. Rev. Stat. 79-819 (Reissue 2008) indicates contracts for employment of teachers or administrators shall contain (1) a provision by which the employed person affirms that he or she holds or will hold, at the beginning of the term of the contract, a valid certificate properly registered with the school district and that he or she is not under contract with another school board of a school district in this state and (2) a provision that there shall be no penalty for release from the contract. The School was unable to provide the APA with any signed teacher contract documents for the 2009-2010 school year. For the 2010-2011 school year, only approximately ½ of the School's teachers had signed teacher pay rate documents on file.
- Observation of the School's personnel files for five employees, who had been involved with cash handling, noted no documentation on file for any pay rates. The documentation maintained on file stipulated only information related to teacher assignment, pay components and salary deductions, and did not reference to any provisions of the School's negotiated agreement or pay rate.

4. Payroll Taxes

On February 10, 2011, the U.S. Department of the Treasury – Internal Revenue Service (IRS) filed with the Scotts Bluff County Register of Deeds a \$169,408.41 Notice of Federal Tax Lien (Form 668) against the School; see **Exhibit 1**, which consisted of the following:

- \$64,488.75 for unpaid January 2010 taxes
- (\$20.00) for 2010 net overpayment
- \$104,939.66 in failure to deposit and delinquent penalties and interest related to the quarterly tax periods ending March 31, 2010, June 30, 2010, and September 30, 2010.

On March 7, 2011, the School issued check # 32144 to the IRS for \$64,468.75 and is reportedly working with the School's auditor and IRS to negotiate a penalty and interest reduction and/or abatement related to the February 2011 lien.

Upon evaluation of the available school records, the APA determined the School had routinely received a variety of notices from the IRS and Nebraska Department of Revenue including requests for payment, adjustment computation notices, tax deposit discrepancies notices, and overpayment notices. It should also be noted that the February 2011 lien is not the first time the School has been assessed significant penalties and interest by the IRS. For example, in April 2010 and in July 2010, \$15,197.69 and \$23,348.20, respectively, were levied directly out of the School's bank account by the IRS.

Additionally on January 18, 2011, the IRS sent the School, via certified mail with return receipt, a final notice of their intent to file a levy against the School requesting the School respond immediately. It appears the School failed to recognize, or otherwise flagrantly disregarded, the ultimate consequence of its failure to address or otherwise respond to the many IRS and Nebraska Department of Revenue notices they received. This resulted in the school spending monies unnecessary on penalties and interest.

It appears a significant contributing factor in the School's non-timely payment of taxes began in January 2010 when the school's current bookkeeper lacked a basic understanding of the procedures involved in initiating Automated Clearing House (ACH) financial transactions. The bookkeeper actually prepared physical checks payable to the IRS and Nebraska Department of Revenue which the School Board approved and signed; however, once those checks were signed, the bookkeeper then placed those uncashed checks in a file with no further action taken to actually transmit the funds to the appropriate taxing entities. The fact that the bookkeeper was not reconciling the School's general fund bank account contributing greatly to this problem; see number 6 below. However, the APA feels that even a basic skeptical evaluation of the School's general fund bank balances should have indicated there was a problem with the large tax remittances issue to School management and administration.

5. Payroll Vendor Deductions

As the employer, the School has a fiduciary role in exercising authority and control over payroll deductions until distribution is completed. This includes ensuring all payroll deductions are properly accounted for and distributed timely. Payroll deductions include all amounts that employees have directed the School to withhold, including such things as retirement contributions, teacher association dues, a variety of insurance premiums, including health and auto, and 401(k) and 403(b) contributions.

The APA's evaluation of the School's payroll deductions distribution determined there were multiple instances of excessive delays getting the deductions to the appropriate vendors. The APA noted 80 instances where deductions were paid to vendors from over 31 to as long as 285 days later than deducted from pay checks; see **Exhibit 2**. The School's delays in getting these deductions remitted had far ranging impacts to its employees including many receiving non-payment or cancellation notices from the vendors. In addition, the Nebraska Public Employee Retirement System assessed a total of \$5,329.31 in penalties and interest to the School since January 2010, as a result of late reporting and remittances. The APA did independent verifications with several of the School's payroll deduction vendors and determined these issues have occurred largely after January 2010.

6. Bank Reconciliations

The APA understood that the current bookkeeper, Superintendent, and other School officials lacked adequate knowledge of basic accounting, as well as, the School’s DataTeam accounting software, to prepare the School’s bank reconciliations unassisted. As a result, bank reconciliations were not performed for many months or until the School’s audit firm was able to assist in the reconciliation process. On November 22, 2010, Dana F. Cole & Co., a CPA firm, billed the School \$5,525 for performing bank reconciliations from January to August 2010.

As of March 15, 2011, the APA noted that the general and cafeteria funds had not been reconciled since November 2010. Dana F. Cole & Co. has subsequently assisted the School bookkeeper in performing these reconciliations.

On August 6, 2009, the School wrote a check to The Horace Mann Companies for \$1,892.74 out of the general fund; however, the check cleared the bank on August 14, 2009, for \$11,892.74. The bank made a credit back to school for \$10,000 on September 29, 2009; nearly a month and a half after the check cleared the bank. The School’s August 2009 activity was not reconciled until November 16, 2009.

There are numerous discrepancies related to incorrect amounts which have been recorded in the School’s accounting system and the amount that actually cleared the bank; however, it appears they are not subsequently corrected and/or adjusted in the accounting system after the bank reconciliations have been performed. This results with the financial activity in the School’s accounting system being wrong.

In addition there were several months in which bank accounts were overdrawn and overdraft fees incurred. For example, in February 2011, the School was overdrawn on several of its bank accounts which lead to additional cost to the School for overdraft fees, as follows:

Account	Range of Amount Overdrawn	# of Days Overdrawn	Overdraft Fees
General	\$14,057.85 - \$104,765.28	11	\$ 750
Reimbursement	\$160.43 - \$968.92	7	\$ 100
Employee Benefits	\$285.35 - \$1,384.01	21	\$ 100

7. Physical Security of Signed, Unissued Checks

At the March 14, 2011, School Board Meeting, the Board approved payment for only payroll and payroll-related expenditures, no approval was given for the presented accounts payable expenditures. Sixty-two general fund expenditure checks totaling \$101,301.79 had the signature stamps of Board members Fred Cawiezel and Bill Zwiebel applied prior to the Board’s decision. The APA observed these already completed and signed checks stored on the top of a file cabinet in the bookkeeper’s work area; an area to which access was not physically restricted to anyone.

Additionally, the APA noted that Neb. Rev. Stat. 79-569 (Reissue 2008) requires the president of the school board of a Class III school district to, in part, “...countersign all orders upon the treasury for money to be disbursed by the district...”; however, no Board members, including the president, are authorized signers on the School’s activities, reimbursement, and cafeteria bank accounts.

8. Treasurer's Report

Neb. Rev. Stat. 79-590 (Reissue 2008) requires the school treasurer to prepare and submit in writing a monthly report of the state of the district's finances. School Superintendent, Steve Osborn, indicated to APA that he presents the School's Treasurer's Report at each regular Board meeting. The report, in its current format, consists of a one page summary of five of the School's eight bank account balances and is supplemented with truncated copies of the related bank statements. The Board is not provided with the monthly detailed revenues or expenditures, only the bank balances. The Board is not presented with any of the detailed financial information of the reimbursement, activity, and employee benefit bank accounts.

The Superintendent stated that he "lost faith" in the School's financial information from the DataTeam accounting system and, therefore, does not present that information to the board. As such, the Treasurer's Report contained no descriptive information as to the nature of the monthly revenues and expenditures of the School and the true book balances of School funds. See the following example of Treasurer's Report, which is provided to the School Board.

MORRILL PUBLIC SCHOOL TREASURER'S REPORT 2010-2011					
Starting Balances					
MONTH	GENERAL FUND	SPECIAL BUILDING FUND	DEPRECIATION FUND	QUALIFIED CAPITAL PURPOSE UNDERTAKING FUND	LUNCH FUND
1-Oct-2010	\$ 1,098,304.35	\$ 27,094.55	\$ 111,778.46	\$ 11,739.51	\$ 90,821.52
1-Nov-2010	\$ 366,814.64	\$ 27,528.88	\$ 113,108.68	\$ 11,902.73	\$ 93,355.21
1-Dec-2010	\$ 386,892.54	\$ 19,792.59	\$ 106,868.07	\$ 12,126.70	\$ 94,351.45
1-Jan-2011	\$ 137,293.96	\$ 19,451.10	\$ 102,672.88	\$ 12,161.38	\$ 90,083.17
1-Feb-2011	\$ 387,108.34	\$ 22,317.47	\$ 102,688.58	\$ 14,374.63	\$ 96,459.21
1-Mar-2011	\$ 91,728.37	\$ 23,203.67	\$ 102,702.65	\$ 15,693.40	\$ 96,384.59
1-Apr-2011					
1-May-2011					
1-Jun-2011					
1-Jul-2011					
1-Aug-2011					
1-Sep-2011					

9. Reimbursement Account

The School maintains a reimbursement bank account, which is basically a petty cash account. While the intent of this account is to reimburse employees for travel related expenditures and per diems, the account has also been used to issue School vendor payments. The activity in the reimbursement account is not recorded in the School's DataTeam accounting system and a separate check register or journal is not maintained to track expenses out of the account. Instead, during each month the bookkeeper issues checks, retains the issued check stubs, and records those checks on the monthly bank reconciliation. The account was to be maintained at a \$10,000 balance.

Again, Neb. Rev. Stat. 79-569 (Reissue 2008) requires the president of the school board of a Class III school district to, in part, "...countersign all orders upon the treasury for money to be disbursed by the district...." However, it was noted the Board does not sign the reimbursement bank account checks. This account requires two signatures for each check written and the

authorized signors are Steve Osborn, School Superintendent; Scott Plummer, School 7th/8th Grade Principal; and Craig Manley, Technology Coordinator. On a monthly basis, the Board approves a transfer from the general fund into the reimbursement fund; however, when approving transfers the Board is not presented with any detail of the underlying transactions.

The balance in the reimbursement bank account should total reconcile to \$10,000 each month; however, the School has not reconciled this account at \$10,000 since January 2010 due to incorrect amounts being transferred from the general fund. Examples of incorrect transfers are:

- \$7,187.86 was paid out of the reimbursement account during December 2009. This amount was included in the calculation for both the January 2010 and February 2010 transfers from the general fund. This duplicate reimbursement caused the balance of the reimbursement account to increase from approximately \$10,000 to over \$17,000.
- During February 2010, \$2,423.37 was paid out of the reimbursement account; however, only \$2,307.02 was transferred from the general fund; as a result the reimbursement account was under-reimbursed \$116.25.
- During July and August 2010, \$13,828.64 was paid out of the reimbursement account; however, \$14,528.64 was transferred from the general fund; as a result the reimbursement account was over-reimbursed \$700.
- During September and October 2010, \$8,120.29 was paid out of the reimbursement account; however, \$8,020.20 was transferred from the general fund; as a result the reimbursement account was under-reimbursed \$100.

10. Activities Account

The School maintains an activity fund which records the receipts and disbursements for the extra-curricular activities provided by the School such as athletics, yearbook, National Honor Society, Clubs, and Band. Numerous issues related to this fund were noted, as follows:

- According to the bookkeeper, due to an unidentified issue with the School's DataTeam accounting system software, the financial activity has not been entered into the DataTeam system at all throughout the current 2010-2011 school year. Due to the length of time that this situation has been allowed to exist, the bookkeeper appears to not be actively seeking resolution of any issues with the School's software provider.
- Following is the bank activity summary for the current school year which is indicative of approximate amount of unrecorded financial activities.

Beginning Balance at 9/1/2010	Deposits	Withdrawals	Ending Balance at 2/28/2011
\$ (1,641.59)	\$ 59,720.91	\$ 57,737.43	\$ 341.89

Prior to the 2010-2011 school year, while the financial activity of the activity fund was recorded in the accounting system, the APA noted transactions which had been recorded in the School's accounting system, but never cleared the School's bank accounts or cleared the School's bank accounts at different amounts. These discrepancies appear to be related to incorrect amounts having been recorded in the School's accounting system and never subsequently corrected and/or adjusted. As a result, based on the receipts and

expenditures in the accounting system, a complete and accurate depiction of the financial activity, including available balances, of each underlying club and/or activity was not determined. Following are examples of transactions which had been recorded in the School's accounting system and varied to those transactions clearing the School's bank accounts:

Accounting System				Bank Statements			Variance
Check	Date	Vendor	Amount	Check	Vendor	Amount	
3298	8/25/2009	Jostens	\$ 20,773	3298	Jostens	\$ 524	\$ 20,248
3726	5/28/2010	Pepsi Cola	\$ 12,629	3726	Pepsi Cola	\$ 381	\$ 12,247
3741	6/24/2010	NE School Activities	\$ 7,896	3741	NE School Activities	\$ 40	\$ 7,856

Based on our evaluation of the School's DataTeam information it appears some duplicate payments may have been made from the activity fund and undetected by the School. Following are examples of payments which appear to be duplicate payments made from the activity fund:

Activity	Date	Check	Vendor	Description	Amount
National Honor Society	6/17/2009	3278	NASSP-National Honor Society	Annual Dues	\$ 81.00
National Honor Society	7/15/2009	3289	National Honor Society/NASSP	2009-2010 Dues	\$ 81.00
National Honor Society	2/4/2010	3580	NASSP-National Honor Society	NHS Supplies	\$ 123.32
National Honor Society	3/16/2010	3638	Platte Valley Bank Visa	NHS Supplies/Band Supplies/ State Wrestling	\$ 123.32
National Honor Society	5/28/2010	3725	National Honor Society/NASSP	Stoles/T-shirts	\$ 296.30
National Honor Society	5/28/2010	3732	Platte Valley Bank Visa	Stoles/T-Shirts	\$ 296.30

We recommend:

- The School immediately works with its insurer to obtain adequate bonding to protect the School and comply with State Statute.
- The School immediately resolves any issues it has with its DataTeam accounting system in order to fully utilize the system's functions and capabilities, including complete and accurate recording of all the financial activity of the School including the activity fund. The School immediately implements procedures adequate to ensure the School's bank accounts are properly reconciled and completed for all of the School's bank accounts on a monthly basis. Any reconciling items should be appropriately adjusted in the School's accounting system.
- The School develops and implements adequate policies and procedures to include strict physical security of all signed checks until mailing and/or distribution by the School. In addition, we strongly recommend checks not be physically signed prior to Board action approving such expenditures.
- Each School club and/or activity should immediately be provided with complete and accurate information regarding their club and/or activities financial activity.

- Receipts should be issued for all monies received and the School should retain all invoices and/or other original supporting documentation as evidence of School expenditures, including obtaining and retaining signed, written contracts for all teachers and authorization and documentation of pay rates for all non-teacher employees of the School.
- All payroll taxes should be accurately reported and remitted to the appropriate taxing entities in the timely manner required by Federal and State law.
- The School implements procedures to ensure all payroll deductions are remitted to the appropriate vendors immediately following payroll dates.
- The Treasurer's Report to the Board should be complete, accurate, and adequately descriptive, including revenues and expenditure of all funds, to present the Board a sound basis for making financial decisions for the School.
- The reimbursement account should be reconciled on a monthly basis to the Board established amount and the Board should implement procedures to ensure the account is only used for the specific purposes approved by the Board. Monthly transfers to replenish the account should be detailed prior to approval by the Board, so they can know the specifics of what has been spent and for what purpose out of the reimbursement account.

Based on the severity of the issues identified in our limited investigation, it would appear your School would benefit from a comprehensive, agreed-upon procedures audit or an attestation examination into specific areas of the School's finances. We would be available to the School to conduct such audit work; however, such an audit would most likely prove to be costly. Based on the School's anticipated unification with another School, the School's lack of knowledge of its current accounting system, the lack of supporting documentation, and proper accounting procedures; such an audit or examination may be impractical.

We would strongly encourage the School Board, to study the details related to the comments and issues contained in this letter. The Board should consider making any and all changes they consider necessary to appropriately address the financial issues identified herein in a timely manner to protect the finances of the School and prevent unnecessary expenses such as duplicate payments, penalties, overdrafts, interest, and etc.

If you have any questions, please feel free to contact our office. We will continue to monitor this situation.

Sincerely,

Signed Original on File

Mike Foley
State Auditor

Enclosures

MORRILL PUBLIC SCHOOLS
IRS LIEN

Exhibit 1



2011-690

NUM INDEX mg
COMPUTER mg
PICTURED h
IMAGED _____

INST. 2011 690

RECORDED
SCOTTS BLUFF COUNTY, NE

Date 2-10-11 Time 2:55pm

NUM PAGES 1
DOC TAX _____ PD _____ CHG _____ RET _____
FEES 3.00 PD _____ CHG RET _____
TOTAL 3.00
REC'D Secretary of State
RET FRS

Jean A. Bauer

REGISTER OF DEEDS

02/10/2011 THU 15:31 FAX 402 471 4429 UCC SECRETARY OF STATE *** Scottsbluff 002/003

3592 Department of the Treasury - Internal Revenue Service
Form 668 (Y)(c)
(Rev. February 2004) **Notice of Federal Tax Lien**

Area: SMALL BUSINESS/SELF EMPLOYED AREA #4 Serial Number: 748931311
Lien Unit Phone: (800) 913-6050

As provided by section 6321, 6322, and 6323 of the Internal Revenue Code, we are giving a notice that taxes (including interest and penalties) have been assessed against the following-named taxpayer. We have made a demand for payment of this liability, but it remains unpaid. Therefore, there is a lien in favor of the United States on all property and rights to property belonging to this taxpayer for the amount of these taxes, and additional penalties, interest, and costs that may accrue.

Name of Taxpayer: COUNTY OF SCOTTSBLUFF, a Corporation
SCHOOL DISTRICT 11

Residence: PO BOX 486
MORRILL, NE 69358-0486

IMPORTANT RELEASE INFORMATION: For each assessment listed below, unless notice of the lien is refiled by the date given in column (e), this notice shall, on the day following such date, operate as a certificate of release as defined in IRC 6325(a).



Kind of Tax (a)	Tax Period Ending (b)	Identifying Number (c)	Date of Assessment (d)	Last Day for Refiling (e)	Unpaid Balance of Assessment (f)
941	03/31/2010	47-6005307	12/27/2010	01/26/2021	118660.98
941	06/30/2010	47-6005307	12/13/2010	01/12/2021	32511.84
941	09/30/2010	47-6005307	12/13/2010	01/12/2021	18235.59

Place of Filing: Register of Deeds, Scotts Bluff County, Gering, NE 69341
Total \$ 169408.41

This notice was prepared and signed at CHICAGO, IL, on this, the 31st day of January, 2011.

Signature: *[Signature]* Title: REVENUE OFFICER 24-10-1736
for BILL HOUSE (308) 532-7510

(NOTE: Certificate of officer authorized by law to take acknowledgment is not essential to the validity of Notice of Federal Tax Lien Rev. Rul. 71-488, 1971-2 C.B. 409)

Part 1 - Kept By Recording Office

Form 668(Y)(c) (Rev. 2-2004)

**MORRILL PUBLIC SCHOOLS
LATE PAYMENTS TO PAYROLL VENDORS**

Exhibit 2

Check History Report				Bank Statements	
Date Deducted	Payee	Description	Amount	Date Cleared	Days Between Check Date and Bank Clear Date
5/10/2010	Aflac	Miscellaneous	\$ 1,158	7/16/2010	67
6/11/2010	Aflac	Miscellaneous	\$ 868	7/16/2010	35
8/6/2010	Aflac	Miscellaneous	\$ 815	10/6/2010	61
11/5/2010	Aflac	Miscellaneous	\$ 1,496	12/27/2010	52
1/8/2011	Aflac	Miscellaneous	\$ 1,330	2/11/2011	34
1/8/2011	Aflac	Miscellaneous	\$ 47	2/11/2011	34
4/10/2010	American Century Investments	Miscellaneous	\$ 100	6/2/2010	53
11/5/2010	American Century Investments	Miscellaneous	\$ 100	12/28/2010	53
6/11/2010	Blue Cross Blue Shield	Health Insurance	\$25,161	7/13/2010	32
8/6/2010	Blue Cross Blue Shield	Health Insurance	\$25,161	10/5/2010	60
11/5/2010	Blue Cross Blue Shield	Health Insurance	\$24,096	12/13/2010	38
11/5/2010	Blue Cross Blue Shield	Health Insurance	\$ 501	12/29/2010	54
3/12/2010	Horace Mann Insurance	Auto Insurance	\$ 1,153	6/3/2010	83
4/10/2010	Horace Mann Insurance	Auto Insurance	\$ 1,153	6/3/2010	54
4/10/2010	Horace Mann Insurance	Miscellaneous	\$ 1,993	6/3/2010	54
4/10/2010	Horace Mann Insurance	Miscellaneous	\$ 710	7/14/2010	95
5/10/2010	Horace Mann Insurance	Miscellaneous	\$ 710	7/14/2010	65
6/11/2010	Horace Mann Insurance	Auto Insurance	\$ 1,304	7/14/2010	33
6/11/2010	Horace Mann Insurance	Miscellaneous	\$ 1,993	7/13/2010	32
6/11/2010	Horace Mann Insurance	Miscellaneous	\$ 710	8/25/2010	75
7/9/2010	Horace Mann Insurance	Miscellaneous	\$ 710	8/24/2010	46
9/14/2010	Horace Mann Insurance	Miscellaneous	\$ 661	11/15/2010	62
10/10/2010	Horace Mann Insurance	Miscellaneous	\$ 650	11/15/2010	36
11/5/2010	Horace Mann Insurance	Auto Insurance	\$ 426	12/24/2010	49
11/5/2010	Horace Mann Insurance	Auto Insurance	\$ 124	12/27/2010	52
11/5/2010	Horace Mann Insurance	Miscellaneous	\$ 1,743	12/24/2010	49
11/5/2010	Horace Mann Insurance	Miscellaneous	\$ 650	12/24/2010	49
1/8/2011	Horace Mann Insurance	Auto Insurance	\$ 780	2/8/2011	31
1/8/2011	Horace Mann Insurance	Auto Insurance	\$ 124	2/9/2011	32
1/8/2011	Horace Mann Insurance	Miscellaneous	\$ 1,793	2/8/2011	31
1/8/2011	Horace Mann Insurance	Miscellaneous	\$ 650	2/8/2011	31
12/2/2009	Morrill Education Association	Association Dues	\$ 1,620	1/8/2010	37
3/12/2010	Nebraska Depart. Of Revenue	State Payroll Taxes	\$ 10,315	12/22/2010	285
4/10/2010	Nebraska Depart. Of Revenue	State Payroll Taxes	\$ 10,257	12/22/2010	256
5/10/2010	Nebraska Depart. Of Revenue	State Payroll Taxes	\$ 10,484	12/22/2010	226
6/11/2010	Nebraska Depart. Of Revenue	State Payroll Taxes	\$ 10,170	12/22/2010	194
7/9/2010	Nebraska Depart. Of Revenue	State Payroll Taxes	\$ 9,527	12/22/2010	166
8/6/2010	Nebraska Depart. Of Revenue	State Payroll Taxes	\$ 9,431	12/22/2010	138
9/14/2010	Nebraska Depart. Of Revenue	State Payroll Taxes	\$ 10,495	12/22/2010	99
9/14/2010	Nebraska Depart. Of Revenue	State Payroll Taxes	\$ 61	12/22/2010	99
10/10/2010	Nebraska Depart. Of Revenue	State Payroll Taxes	\$ 10,872	2/2/2011	115
10/10/2010	Nebraska Depart. Of Revenue	State Payroll Taxes	\$ 154	2/2/2011	115
11/5/2010	Nebraska Depart. Of Revenue	State Payroll Taxes	\$ 10,338	2/2/2011	89
11/5/2010	Nebraska Depart. Of Revenue	State Payroll Taxes	\$ 156	2/2/2011	89
12/13/2010	Nebraska Depart. Of Revenue	State Payroll Taxes	\$ 10,535	2/2/2011	51
12/13/2010	Nebraska Depart. Of Revenue	State Payroll Taxes	\$ 124	2/2/2011	51
4/10/2010	Nebraska Retirement System	School Retirement Account	\$ 51,804	5/21/2010	41
6/11/2010	Nebraska Retirement System	School Retirement Account	\$ 48,268	7/13/2010	32
8/6/2010	Nebraska Retirement System	School Retirement Account	\$ 43,243	10/22/2010	77
9/14/2010	Nebraska Retirement System	School Retirement Account	\$ 47,689	10/22/2010	38
9/14/2010	Nebraska Retirement System	School Retirement Account	\$ 654	10/22/2010	38
11/5/2010	Nebraska Retirement System	School Retirement Account	\$ 50,245	12/28/2010	53
1/8/2011	Nebraska Retirement System	School Retirement Account	\$ 46,928	3/14/2011	65
2/11/2011	Nebraska Retirement System	School Retirement Account	\$ 49,320	3/14/2011	31

**MORRILL PUBLIC SCHOOLS
LATE PAYMENTS TO PAYROLL VENDORS**

Exhibit 2

Check History Report				Bank Statements	
Date	Payee	Description	Amount	Date Cleared	Days Between Check Date and Bank Clear Date
11/5/2010	Oppenheimer Funds Services	Miscellaneous	\$ 200	12/28/2010	53
3/12/2010	Platte Valley Bank	Federal Payroll Taxes	\$ 66,219	10/27/2010	229
4/10/2010	Platte Valley Bank	Federal Payroll Taxes	\$ 68,663	10/27/2010	200
5/10/2010	Platte Valley Bank	Federal Payroll Taxes	\$ 67,375	10/27/2010	170
6/11/2010	Platte Valley Bank	Federal Payroll Taxes	\$ 64,960	10/27/2010	138
7/9/2010	Platte Valley Bank	Federal Payroll Taxes	\$ 58,897	10/27/2010	110
8/6/2010	Platte Valley Bank	Federal Payroll Taxes	\$ 57,883	10/27/2010	82
9/14/2010	Platte Valley Bank	Federal Payroll Taxes	\$ 64,941	10/27/2010	43
9/14/2010	Platte Valley Bank	Federal Payroll Taxes	\$ 635	10/27/2010	43
10/10/2010	Platte Valley Bank	Federal Payroll Taxes	\$ 69,294	2/1/2011	114
10/10/2010	Platte Valley Bank	Federal Payroll Taxes	\$ 1,227	2/1/2011	114
11/5/2010	Platte Valley Bank	Federal Payroll Taxes	\$ 66,944	2/1/2011	88
11/5/2010	Platte Valley Bank	Federal Payroll Taxes	\$ 1,277	2/1/2011	88
12/13/2010	Platte Valley Bank	Federal Payroll Taxes	\$ 66,354	2/1/2011	50
12/13/2010	Platte Valley Bank	Federal Payroll Taxes	\$ 1,095	2/1/2011	50
4/10/2010	Prudential Investments	Miscellaneous	\$ 600	6/3/2010	54
11/5/2010	Prudential Investments	Miscellaneous	\$ 600	1/3/2011	59
1/8/2011	Prudential Investments	Miscellaneous	\$ 600	2/8/2011	31
4/10/2010	RCI Payroll Deductions	Flex Spending Accounts	\$ 3,535	5/17/2010	37
6/11/2010	RCI Payroll Deductions	Flex Spending Accounts	\$ 3,425	7/21/2010	40
8/6/2010	RCI Payroll Deductions	Flex Spending Accounts	\$ 3,425	10/18/2010	73
9/14/2010	RCI Payroll Deductions	Flex Spending Accounts	\$ 150	10/18/2010	34
11/5/2010	Thrivent Financial for Lutherans	Miscellaneous	\$ 50	12/28/2010	53
1/8/2011	Thrivent Financial for Lutherans	Miscellaneous	\$ 50	2/9/2011	32
11/5/2010	Worksite Solutions	Miscellaneous	\$ 103	12/28/2010	53
1/8/2011	Worksite Solutions	Miscellaneous	\$ 103	2/8/2011	31