

STATE OF INDIANA
COUNTY OF KOSCIUSKO

SS:

KOSCIUSKO CIRCUIT/SUPERIOR COURT
CAUSE NO. 43DD3-1103-cc-100

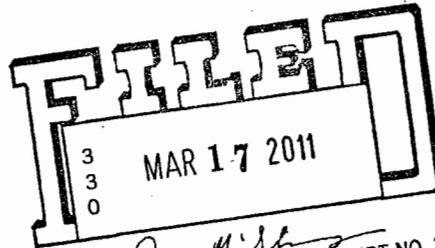
STATE OF INDIANA *ex rel.*
GREGORY F. ZOELLER,
ATTORNEY GENERAL OF INDIANA,

Plaintiff,

v.

KRISTI RHODES, and WESTERN
SURETY COMPANY,

Defendants.



CLERK, KOSCIUSKO SUPERIOR COURT NO. 3

COMPLAINT TO RECOVER PUBLIC FUNDS

The Plaintiff, State of Indiana *ex rel.* Gregory F. Zoeller, Attorney General of Indiana (the "State"), by Luke P. Hodgin, Deputy Attorney General, for its Complaint to Recover Public Funds due and owing, states as follows:

FACTS

1. The State Board of Accounts ("SBOA"), pursuant to Ind. Code § 5-11-1-9, performed an examination of the books, accounts, and records of the North Webster Community Public Library (the "Library"). The results of the examination are set forth in SBOA Audit Report B38499, dated March 3, 2011. Said Audit Report is attached hereto and incorporated herein as Exhibit A.
2. The Defendant, Kristi Rhodes ("Rhodes"), was at all times relevant to the Audit Report the bookkeeper for the North Webster Community Public Library.
3. The Audit Report disclosed malfeasance, misfeasance, or nonfeasance on the part of Rhodes, and was placed by the State Examiner with Attorney General Gregory F. Zoeller pursuant to Ind. Code § 5-11-5-1(a).

4. The Audit Report also disclosed public money that had been unlawfully expended, obtained by fraud or any unlawful manner, or wrongfully withheld from the public treasury pursuant to Ind. Code § 5-11-6-3.

5. The Defendant, Western Surety Company (“Western”), is a corporation duly authorized to conduct business in Indiana. Western is now, and was at all times relevant to this action, engaged in the business, among others, of writing bonds upon and in favor of public officials and their subordinate public employees in the State of Indiana.

6. The public funds that the State seeks to recover upon this Complaint were found by the SBOA to be either:

- a. misappropriated, diverted, or unaccounted;
- b. illegally received;
- c. illegally retained;
- d. unaccountable for or not paid over any money so received;
- e. obtained by fraud or in any unlawful manner; and/or
- f. wrongfully withheld from the public treasury.

7. The Defendants are either delinquent officers, sureties of the officers, or any other proper persons against whom recovery of such misappropriated, diverted, or unaccounted for funds may be had.

8. This Complaint is brought for the benefit of the North Webster Community Public Library.

9. This Complaint is brought by Attorney General Gregory F. Zoeller in the name of the State of Indiana pursuant to Ind. Code § 5-11-7-1.

COUNT I

The Plaintiff, State of Indiana *ex rel.* Gregory F. Zoeller, Attorney General of Indiana, by and through its undersigned counsel, complains of the Defendant, Kristi Rhodes, and says:

10. During the audit period, Rhodes had a duty to properly account for and deposit all funds of the North Webster Community Public Library, to assure that the funds of the Library were expended as authorized by law, and/or to commit no acts of misfeasance, malfeasance, or nonfeasance.

11. During the audit period, Rhodes wrongfully or negligently failed to properly account for, expend, and/or deposit the funds of the Library or otherwise committed several acts of misfeasance, malfeasance, and nonfeasance which resulted in the misappropriation, diversion, and misapplication of public funds.

12. The nature of the breach by Rhodes was so egregious as to constitute gross negligence or an intentional disregard of her duties.

13. The total amount of loss to the North Webster Community Public Library is as follows:

a.	Penalties and Interest- Ind. Dept. of Revenue	\$1,585.10
b.	Penalties and Interest- Ind. Dept. of Workforce Dev.	\$1,032.05
c.	Penalties and Interest- Internal Revenue Service	\$8,791.69
d.	Unauthorized Payments to Rhodes	\$16,990.29

14. As a direct and proximate result the breach of Rhodes's duty to the North Webster Community Public Library, the Library suffered a pecuniary loss in the amount of Twenty Eight Thousand Three Hundred Ninety Nine and 13/100 Dollars (\$28,399.13).

15. Kristi Rhodes is liable to the State of Indiana and to the North Webster Community Public Library in the amount of \$28,399.13.

16. Demand has been made upon the Defendant, Kristi Rhodes, for payment and no payment has been received as of the date of this filing.

WHEREFORE, the Plaintiff, State of Indiana *ex rel.* Gregory F. Zoeller, Attorney General of Indiana, requests the Court to enter judgment for the State and against the Defendant, Kristi Rhodes, in the amount of \$28,399.13, plus costs, attorney fees, prejudgment interest, and all other just and proper relief.

COUNT II

The Plaintiff, State of Indiana *ex rel.* Gregory F. Zoeller, Attorney General of Indiana, by and through its undersigned counsel, complains of the Defendant, Kristi Rhodes, and says:

17. The State restates and pleads each and every allegation contained in the previous paragraphs inclusive of Count I, and those paragraphs are incorporated in Count II as if wholly set forth herein.

18. Indiana Code § 34-24-3-1 provides that if a party suffers a pecuniary loss as a result of a violation of Ind. Code Art. 35-43, he may bring a civil action against the person(s) who caused the loss for:

- (1) An amount not to exceed three times the actual damages of the person suffering the loss;
- (2) The costs of the action;
- (3) A reasonable attorney's fee;
- (4) Actual travel expenses that are not otherwise reimbursed under subdivisions (1) through (3) and are incurred by the person suffering loss to:
 - (A) have the person suffering loss or an employee or agent of that person file papers and attend court proceedings related to the recovery of a judgment under this chapter; or
 - (B) provide witnesses to testify in court proceedings related to the recovery of a judgment under this chapter;

- (5) A reasonable amount to compensate the person suffering loss for time used to:
 - (A) file papers and attend court proceedings related to the recovery of a judgment under this chapter; or
 - (B) travel to and from activities described in clause (A);
- (6) Actual direct and indirect expenses incurred by the person suffering loss to compensate employees and agents for time used to:
 - (A) file papers and attend court proceedings related to the recovery of a judgment under this chapter; or
 - (B) travel to and from activities described in clause (A); and
- (7) All other reasonable costs of collection.

19. The State is a party suffering a pecuniary loss as a result of a violation by Defendant Rhodes of one or more of the following: Ind. Code § 35-43-4-2, Ind. Code § 35-43-4-3, and/or Ind. Code § 35-43-5-3, as described in SBOA Audit Report B38499.

20. The State is a party suffering a pecuniary loss as a result of a breach by the Defendant Rhodes, of the Defendant's contract and trust, both real and constructive, which the State imposed on the Defendant by law to properly account for public funds for the North Webster Community Public Library.

21. The State is entitled to the relief described in Ind. Code § 34-24-3-1, including three times the actual loss, which is Eighty Five Thousand One Hundred Ninety Seven and 39/100 Dollars (\$85,197.39), plus attorney fees, costs, and prejudgment interest.

WHEREFORE, the Plaintiff, State of Indiana *ex rel.* Gregory F. Zoeller, Attorney General of Indiana, respectfully requests the Court to: (1) enter judgment for the State and against the Defendant, Kristi Rhodes, (2) grant the State the relief described in Ind. Code § 34-24-3-1, plus attorney fees, costs, and prejudgment interest, and (3) grant the State all other just and proper relief.

COUNT III

The Plaintiff, State of Indiana *ex rel.* Gregory F. Zoeller, Attorney General of Indiana, by and through its undersigned counsel, complains of the Defendant, Western Surety Company, and says:

22. The State restates and pleads each and every allegation contained in the previous paragraphs, inclusive of Counts I and II, and those paragraphs are incorporated in Count III as if wholly set forth herein.

23. Western executed a blanket bond in the amount of Five Thousand Dollars (\$5,000.00) for the period beginning April 25, 2005 and ending April 25, 2011 that was conditioned upon the honest performance of duties for all employees of the North Webster Community Public Library. Said bond is attached hereto and incorporated herein as Exhibit B.

24. During the term of said bonds, Rhodes wrongfully and negligently failed to account for, expend, and/or deposit the funds of the North Webster Community Public Library, or otherwise committed several acts of misfeasance, malfeasance, and nonfeasance which resulted in the misappropriation, diversion, and misapplication of public funds.

25. Rhodes's acts, or failures to act, constitute gross negligence or an intentional disregard of the requirements of her office.

26. The total amount of funds that Rhodes misappropriated, diverted, or misapplied during the term of said bonds is \$28,399.13.

27. As a result of the matters alleged in the rhetorical paragraphs above, Western is jointly and severally liable with the Defendant Rhodes in the amount of \$5,000.00.

28. Demand has been made upon the Defendant, Western Surety Company, for payment and no payment has been received as of the date of this filing.

WHEREFORE, the Plaintiff, State of Indiana *ex rel.* Gregory F. Zoeller, Attorney General of Indiana, requests the Court to enter a judgment for the State and against the Defendant, Western Surety Company, in the amount of \$5,000.00, plus costs, attorney fees, prejudgment interest, and all other just and proper relief.

Respectfully submitted,

GREGORY F. ZOELLER
Attorney General of Indiana
Attorney No. 1958-98

By 
for Luke P. Hodgkin
Deputy Attorney General
Attorney No. 27162-49

Office of the Indiana Attorney General
302 West Washington Street
Indiana Government Center South, Fifth Floor
Indianapolis, IN 46204-2770
Telephone: (317) 232-6356

B38499

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

EXAMINATION REPORT

OF

NORTH WEBSTER COMMUNITY PUBLIC LIBRARY

KOSCIUSKO COUNTY, INDIANA

January 1, 2010 to October 31, 2010



FILED

03/03/2011

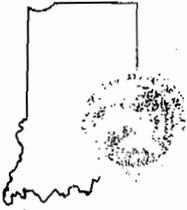


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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Director	Helen Leinbach	01-01-10 to 12-31-10
Treasurer	Teresa Frey	01-01-10 to 12-31-10
President of the Board of Trustees	Dana Krull	01-01-10 to 12-31-10



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
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INDEPENDENT ACCOUNTANT'S REPORT

**TO: THE OFFICIALS OF THE NORTH WEBSTER COMMUNITY
PUBLIC LIBRARY, KOSCIUSKO COUNTY, INDIANA**

We have examined the financial information presented herein of the North Webster Community Public Library (Library), for the period of January 1, 2010 to October 31, 2010. The Library's management is responsible for the financial information presented herein. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the financial information presented herein and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the financial information referred to above presents fairly, in all material respects, the financial information of the Library for the period January 1, 2010 to October 31, 2010, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Capital Assets, as listed in the Table of Contents, is presented for additional analysis and is not a required part of the basic financial information. It has not been subjected to the examination procedures applied to the basic financial information and, accordingly, we express no opinion on the schedule.

STATE BOARD OF ACCOUNTS

December 29, 2010

NORTH WEBSTER COMMUNITY PUBLIC LIBRARY
SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
As Of And For The Ten Months Ended October 31, 2010

	Cash and Investments 01-01-10	Receipts	Disbursements	Cash and Investments 10-31-10
Governmental Funds:				
General	\$ 322,526	\$ 369,263	\$ 481,385	\$ 210,404
Gift	64,013	4,299	9,865	58,447
Rainy Day	65,892	90,015	-	155,907
Library Improvement Reserve	343,046	-	39,526	303,520
Fiduciary Funds:				
Payroll Withholdings	-	33,776	26,769	7,007
PLAC	510	400	350	560
Totals	<u>\$ 795,987</u>	<u>\$ 497,753</u>	<u>\$ 557,895</u>	<u>\$ 735,845</u>

The accompanying notes are an integral part of the financial information.

**NORTH WEBSTER COMMUNITY PUBLIC LIBRARY
NOTES TO FINANCIAL INFORMATION**

Note 1. Introduction

The Library was established under the laws of the State of Indiana. The Library provides the following services: culture and recreation, and general administrative services.

Note 2. Fund Accounting

The Library uses funds to report on its cash and investments and the results of its operations on a cash basis. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

Note 3. Budgets

The operating budget is initially prepared and approved at the local level. In addition, funds for which property taxes are levied or are subject to final approval by the Indiana Department of Local Government Finance.

Note 4. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the Library in June and December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which become delinquent if not paid by May 10 and November 10, respectively.

Note 5. Deposits and Investments

Deposits, made in accordance with Indiana Code 5-13, with financial institutions in the State of Indiana at year end were entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

State statute (IC 5-13-9) authorizes the Library to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

NORTH WEBSTER COMMUNITY PUBLIC LIBRARY
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
As of October 31, 2010

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Furniture and equipment	<u>\$ 267,669</u>

**NORTH WEBSTER COMMUNITY PUBLIC LIBRARY
EXAMINATION RESULTS AND COMMENTS**

PENALTIES AND INTEREST - INDIANA DEPARTMENT OF REVENUE

The former Bookkeeper, Kristi Rhodes, made late payments of payroll withholding taxes to the Indiana Department of Revenue for the periods listed below. As a result, the Library incurred penalties and interest totaling \$1,585.10 as noted.

Period	Penalty and Interest
October 2008	\$ 51.51
March 2009	110.45
June 2009	120.45
July 2009	101.81
August 2009	101.71
September 2009	104.49
October 2009	93.43
November 2009	95.56
December 2009	160.00
January 2010	211.23
February 2010	95.29
March 2010	80.68
April 2010	82.73
May 2010	90.23
June 2010	85.53
Total	\$ 1,585.10

We have asked the former Bookkeeper, Kristi Rhodes, to repay the Library \$1,585.10 for the penalties and interest paid to the Indiana Department of Revenue. (See Summary, page 12)

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.

Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Libraries, Chapter 4)

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Libraries, Chapter 4)

PENALTIES AND INTEREST - INTERNAL REVENUE SERVICE

The Library has paid or been assessed penalties and interest totaling \$22,196.04 to the Internal Revenue Service, due to underpayments or late payments of federal withholdings, medicare and social security, as noted on the following schedule:

**NORTH WEBSTER COMMUNITY PUBLIC LIBRARY
EXAMINATION RESULTS AND COMMENTS
(Continued)**

<u>Quarter Ending</u>	<u>Penalty</u>	<u>Interest</u>	<u>Total Penalty and Interest</u>	<u>Paid by Library</u>	<u>Unpaid</u>
September 2006	\$ 4,184.67	\$ -	\$ 4,184.67	\$ 4,184.67	\$ -
December 2006	3,465.38	33.76	3,499.14	3,041.87	457.27
June 2007	285.50	-	285.50	285.50	-
September 2007	40.05	-	40.05	-	40.05
June 2009	1,561.72	223.99	1,785.71	223.99	1,561.72
September 2009	3,715.57	468.70	4,184.27	468.70	3,715.57
December 2009	3,640.45	351.70	3,992.15	351.70	3,640.45
March 2010	2,183.27	177.97	2,361.24	177.97	2,183.27
June 2010	1,806.02	57.29	1,863.31	57.29	1,806.02
Totals	\$ 20,882.63	\$ 1,313.41	\$ 22,196.04	\$ 8,791.69	\$ 13,404.35

The Library has paid the interest of \$1,313.41 to the Internal Revenue Service and requested that the penalties for 2009 and 2010 be waived, in a letter dated December 15, 2010.

We have asked the former Bookkeeper, Kristi Rhodes, to repay the Library \$8,791.69 for the penalties and interest paid to the Internal Revenue Service. (See Summary, page 12)

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.

Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Libraries, Chapter 4)

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Libraries, Chapter 4)

PENALTIES AND INTEREST – INDIANA DEPARTMENT OF WORKFORCE DEVELOPMENT

Penalties and interest totaling \$1,032.05 were paid to the Indiana Department of Workforce Development as shown in the following schedule:

<u>Quarter Ending</u>	<u>Penalty and Interest</u>
March 2009	\$ 229.49
June 2009	101.72
September 2009	66.36
December 2009	40.91
March 2010	425.57
June 2010	168.00
Total	\$ 1,032.05

**NORTH WEBSTER COMMUNITY PUBLIC LIBRARY
EXAMINATION RESULTS AND COMMENTS
(Continued)**

We have asked the former Bookkeeper, Kristi Rhodes, to repay the Library \$1,032.05 for the penalties and interest paid to the Indiana Department of Workforce Development. (See Summary, page 12)

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.

Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Libraries, Chapter 4)

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Libraries, Chapter 4)

UNAUTHORIZED PAYMENTS TO FORMER BOOKKEEPER

The following schedule shows checks paid to the former Bookkeeper, Kristi Rhodes, which were not authorized by the Library Director or Board. These checks were not posted to the ledger, at the time of payment. The Library Treasurer did not sign these checks.

<u>Date on Check</u>	<u>Check Number</u>	<u>Amt</u>	<u>Date Cashed</u>
12-12-08	3387	\$ 441.67	12-12-08
12-31-08	3524	598.33	12-31-08
03-26-09	3654	299.01	03-26-09
05-26-09	3814	653.49	06-12-09
06-26-09	4153	717.79	06-30-09
10-02-09	4388	311.78	10-09-09
10-13-09	4418	975.00	10-23-09
10-26-09	4427	658.46	10-26-09
11-13-09	4457	948.47	11-16-09
11-13-09	4486	948.47	11-20-09
12-14-09	4531	854.22	12-16-09
02-15-10	4724	424.81	02-24-10
02-24-10	4728	497.63	02-26-10
03-15-10	4818	1,126.60	03-29-10
05-13-10	4919	998.31	05-14-10
05-26-10	4972	741.92	06-03-10
06-14-10	5014	948.45	06-25-10
07-13-10	5091	872.20	08-06-10
07-26-10	5136	656.89	07-30-10
08-13-10	5147	585.25	08-13-10
08-26-10	5195	802.55	08-27-10
08-26-10	5227	802.55	09-10-10
09-27-10	5281	566.82	10-01-10
09-27-10	5314	559.62	10-07-10
Total		\$ 16,990.29	

NORTH WEBSTER COMMUNITY PUBLIC LIBRARY
EXAMINATION RESULTS AND COMMENTS
(Continued)

We have asked the former Bookkeeper, Kristi Rhodes, to repay to the Library \$16,990.29, for the unauthorized checks she received. (See Summary, page 12)

Funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance, or non-feasance in office of any officer or employee may be the personal obligation of the responsible officer or employee. (Accounting and Uniform Compliance Guidelines Manual for Libraries, Chapter 4)

LATE PAYMENTS - RETIREMENT PLAN

Checks totaling \$26,826.56, paid to Great West Retirement Services for employees' withholdings and employer's share of the plan, were posted to the disbursement ledger from June 26, 2010 through August 26, 2010, but were not remitted the vendor until October 2010. All 28 checks cleared the bank on October 6, 2010.

Interest lost on the employees' investments has not been determined.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.

Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit.

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Libraries, Chapter 4)

BOND COVERAGE

The following is a schedule of blanket bond coverage for employees of the North Webster Community Public Library:

<u>Surety</u>	<u>Period of Coverage</u>	<u>Number</u>	<u>Amount</u>
Western Surety Company	04-25-05 to 04-25-11	69897007	\$ 5,000

NORTH WEBSTER COMMUNITY PUBLIC LIBRARY
EXIT CONFERENCE

The contents of this report were discussed on December 29, 2010, with Helen Leinbach, Director; Teresa Frey, Treasurer; and Dana Krull, President of the Board of Trustees. The officials concurred with our findings.

The contents of this report were transmitted by email on January 24, 2011, to Kristi Rhodes, former Bookkeeper.

NORTH WEBSTER COMMUNITY PUBLIC LIBRARY
SUMMARY

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Kristi Rhodes, former Bookkeeper:			
Penalties and Interest - Indiana Department of Revenue, page 7	\$ 1,585.10	\$ -	\$ 1,585.10
Penalties and Interest - Internal Revenue Service, pages 7 and 8	8,791.69	-	8,791.69
Penalties and Interest - Indiana Department of Workforce Development, pages 8 and 9	1,032.05	-	1,032.05
Unauthorized Payments to Former Bookkeeper, pages 9 and 10	<u>16,990.29</u>	-	<u>16,990.29</u>
Totals - Kristi Rhodes, former Bookkeeper	<u>\$ 28,399.13</u>	<u>\$ -</u>	<u>\$ 28,399.13</u>

AFFIDAVIT

STATE OF INDIANA)

St. Joseph COUNTY)

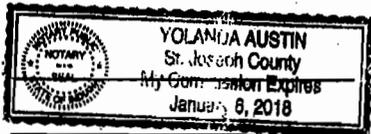
I, David P. Shearer, Field Examiner, being duly sworn on my oath, state that the foregoing report based on the official records of North Webster Community Public Library, Kosciusko County, Indiana, for the period from January 1, 2010 to October 31, 2010, is true and correct to the best of my knowledge and belief.

David P. Shearer
Field Examiner

Subscribed and sworn to before me this 14 day of February, 2011

[Signature]
Notary Public

My Commission Expires:



County of Residence:



COM Western Surety Company

(A Stock Company, herein called Surety)

PUBLIC EMPLOYEES BLANKET BOND Including Public School System

Bond No. 69897007

DECLARATIONS

Item 1. Name of Obligor: State of Indiana

Item 2. Name of Insured: North Webster-Tippecanoe Township Library

Item 3. Bond Period: From the beginning of the 25th day of April, 2005
to 12 o'clock night on the effective date of the cancellation or termination of this bond as an entirety.

Item 4. Table of Limits of Liability

Insuring Agreement 1	Honesty Blanket Bond Coverage	\$	
Insuring Agreement 2	Honesty Blanket Position Bond Coverage	\$	<u>5,000.00</u>
Insuring Agreement 3	Faithful Performance Blanket Bond Coverage	\$	
Insuring Agreement 4	Faithful Performance Blanket Position Bond Coverage	\$	

Item 5. The liability of the Surety is subject to the terms of the following riders attached hereto:

Item 6. The Obligor and the Insured by the acceptance of this Bond give notice to Surety terminating or cancelling prior Bond(s) No.(s)

such termination or cancellation to be effective as of the time this bond becomes effective.

The Surety, in consideration of the payment of the premium, and subject to the Declarations made a part hereof, the General Agreement, Conditions and Limitations and other terms of this Bond, agrees, in accordance with such of the Insuring Agreements hereof as are specifically designated by the insertion of an amount of indemnity in the Table of Limits of Liability, to indemnify the Obligor for the use and benefit of the Insured for:

INSURING AGREEMENTS

Honesty Blanket Bond Coverage

1. Loss sustained by the Insured through any fraudulent or dishonest act or acts committed by any of the Employees, acting alone or in collusion with others, during the Bond Period, to an amount not exceeding in the aggregate the amount stated in the Table of Limits of Liability applicable to this Insuring Agreement 1.

Honesty Blanket Position Bond Coverage

2. Loss sustained by the Insured through any fraudulent or dishonest act or acts committed by any of the Employees, acting alone or in collusion with others, during the Bond Period, the amount of indemnity on each of such Employees being the amount stated in the Table of Limits of Liability applicable to this Insuring Agreement 2.

Faithful Performance Blanket Bond Coverage

3. Loss caused to the Insured through the failure of any of the Employees, acting alone or in collusion with others, to perform faithfully his duties or to account properly for all monies and property received by virtue of his position or employment during the Bond Period to an amount not exceeding in the aggregate the amount stated in the Table of Limits of Liability applicable to this Insuring Agreement 3.

Faithful Performance Blanket Position Bond Coverage

4. Loss caused to the Insured through the failure of any of the Employees, acting alone or in collusion with others, to perform faithfully his duties or to account properly for all monies and property received by virtue of his position or employment during the Bond Period, the amount of indemnity on each of such Employees being the amount stated in the Table of Limits of Liability applicable to this Insuring Agreement 4.

GENERAL AGREEMENT

Loss Under Prior Bond

If the coverage of an Insuring Agreement of this Bond is substituted for any prior bond carried by the Insured or by any predecessor in interest of the Insured which prior bond is terminated, cancelled or allowed to expire as of the time of such substitution, the Surety agrees that such Insuring Agreement applies to loss sustained by, or caused to, the Insured, as the case may be, prior to or during the Bond Period, provided that such loss is discovered after the beginning of the Bond Period and prior to the expiration of three years from the cancellation of this Bond as an entirety and that such loss would have been recoverable by the Insured or such predecessor under such prior bond except for the fact that the time within which to bring suit, action or proceeding of any kind thereunder had expired, and provided further:

- (1) the indemnity afforded by this General Agreement shall be a part of and not in addition to the amount of coverage afforded by the applicable Insuring Agreement of this Bond; and
- (2) such loss would have been covered under such Insuring Agreement had such Insuring Agreement with its agreements, conditions and limitations as of the time of such substitution been in force when the acts or defaults causing such loss were committed; and
- (3) recovery under such Insuring Agreement on account of such loss shall in no event exceed the amount which would have been recoverable under such Insuring Agreement in the amount for which it is written as of the time of such substitution, had such Insuring Agreement been in force when such acts or defaults were committed, or the amount which would have been recoverable under such prior bond had such prior bond continued in force until the discovery of such loss if the latter amount be smaller.



THE FOREGOING INSURING AGREEMENTS AND GENERAL AGREEMENT ARE SUBJECT TO THE FOLLOWING CONDITIONS AND LIMITATIONS:

DEFINITIONS

Section 1. The following terms, as used in this Bond, shall have the respective meanings stated in this Section:

"Employee" as used in Insuring Agreements 1 and 2 means a person while in the employ of the Insured during the Bond Period who is not required by law to give bond conditioned for the faithful performance of his duties and who is a member of the staff or personnel of the Insured but does not mean the Treasurer or Tax Collector, by whatever title known, of the Insured.

"Employee" as used in Insuring Agreements 3 and 4 means a person while in the employ of the Insured during the Bond Period who is not required by law to furnish an Individual Bond to qualify for office and who is a member of the staff or personnel of the Insured but does not mean any Treasurer or Tax Collector by whatever title known.

STUDENT ACTIVITIES

When this bond is written for a Public School System, "Employee" as above defined shall also be deemed to include any student enrolled in a school under the jurisdiction of the Insured while handling or having possession of property or funds in connection with student activities or while handling or having possession of U.S. Savings Bonds or Stamps or funds in connection with the purchase or sale of such Bonds or Stamps.

Any loss of such property, funds, Bonds or Stamps through any act or default covered by this Bond and committed by any Employee shall be deemed to be a loss sustained by the Insured under this Bond, whether or not the Insured is legally liable therefor.

UNIDENTIFIABLE EMPLOYEE

Section 2. In case a loss is alleged to have been caused to the Insured through acts or defaults by an Employee covered under an applicable Insuring Agreement of this Bond, while such Insuring Agreement is in full force and effect and the Insured shall be unable to designate the specific Employee causing such loss, the Insured shall nevertheless have the benefit of such Insuring Agreement provided that the evidence submitted reasonably establishes that the loss was in fact caused by such Employee through such acts or defaults and provided, further, that regardless of the number of such Employees concerned or implicated in such loss, the aggregate liability of the Surety for any such loss shall not exceed the amount stated in Item 4 of the Declarations applicable to such Insuring Agreement.

EXCLUSION

Section 3. This Bond does not cover any loss sustained by, or caused to, the Insured under circumstances whereby and to the amount which the Obligor or the Insured voluntarily undertakes or is obligated by law to exonerate or indemnify any of the Employees against liability incurred by them in the performance of their duties.

LIMITS OF LIABILITY

Section 4. Indemnification by the Surety for any loss under Insuring Agreement 1 or 3 shall not reduce the Surety's liability for other losses under the applicable Insuring Agreement, whenever sustained; provided, however, that the Surety's total liability under each such Insuring Agreement for any loss caused by any Employee or in which such Employee is concerned or implicated is limited to the applicable amount of indemnity specified in the Table of Limits of Liability.

Indemnification by the Surety for any loss under Insuring Agreement 2 or 4 shall not reduce the Surety's liability for other losses under the applicable Insuring Agreement, whenever sustained; provided, however, the Surety's total liability under each such Insuring Agreement as to each Employee is limited to the applicable amount of indemnity specified in the Table of Limits of Liability.

Regardless of the number of years this Bond shall continue in force and the number of premiums which shall be payable or paid, the limit of the Surety's liability as specified in the Table of Limits of Liability shall be cumulative from year to year or period to period.



Countersigned

By _____

Resident Agent

LIMIT OF LIABILITY UNDER THIS BOND AND ANY PRIOR BOND

Section 5. With respect to loss under Insuring Agreement 1 or 3 caused by any Employee or in which such Employee is concerned or implicated or which is chargeable to such Employee as provided in Section 1 of this Bond, and with respect to loss under Insuring Agreement 2 or 4 caused by any Employee or which is chargeable to such Employee as provided in Section 2 of this Bond and with respect to loss under any Insuring Agreement which occurs partly during the Bond Period and partly during the period of other bonds issued by the Surety to the Insured or to any predecessor in interest of the Insured and terminated or canceled or allowed to expire and in which the period specified therein for bringing suit, action or proceeding of any kind, or if no such period is specified therein, then within the period prescribed by the applicable statute of limitations, has not expired at the time such loss thereunder is discovered, the total liability of the Surety under this Bond and under such other bonds shall not exceed, in the aggregate, the amount carried under the applicable Insuring Agreement of this Bond on such loss or the amount available to the Insured under such other bonds, as limited by the terms and conditions thereof, for any such loss if the latter amount be larger.

CANCELLATION

Section 6. This Bond shall be deemed canceled as to any Employee:

- (a) Immediately upon discovery by the Obligor or the Insured of any act on the part of such Employee which would constitute a liability of the Surety under the applicable Insuring Agreement covering such Employee;
- (b) Upon the death, resignation or removal of such Employee; or
- (c) At 12 o'clock night upon the effective date specified in a written notice mailed to the Obligor and the Insured, such date shall be not less than thirty days after the date of mailing. The mailing by the Surety of notice as aforesaid to the Obligor and the Insured shall be sufficient proof of notice. Delivery of such written notice by the Surety shall be equivalent to mailing.

This Bond may be canceled by the Obligor or the Insured by mailing to the Surety written notice stating when thereafter the cancellation shall be effective. This Bond may be canceled by the Surety by mailing to the Obligor and the Insured written notice stating when, not less than thirty days thereafter, such cancellation shall be effective. The mailing of notice as aforesaid shall be sufficient proof of notice. Delivery of such written notice either by the Obligor or the Insured or by the Surety shall be equivalent to mailing. If the Obligor or the Insured cancels, earned premium shall be computed in accordance with the customary short rate table and procedure; if the Surety cancels, earned premium shall be computed pro rata. Premium adjustments may be made at the time cancellation is effective or as soon as practicable after cancellation becomes effective, but payment or tender of unearned premium is not a condition of cancellation.

If any of the cancellation provisions set forth in either or both of the foregoing paragraphs of this Section are prohibited or made void by any law controlling the construction of this Bond, such provisions to the extent they are so prohibited or made void shall be deemed to be nullified and of no effect.

LEGAL PROCEEDINGS

Section 7. No suit, action or proceeding of any kind to recover on account of loss under this Bond shall be brought after the expiration of three years from the cancellation of this Bond as an entirety provided, however, that if such limitation for bringing suit, action or proceeding is prohibited or made void by any law controlling the construction of this Bond, such limitation shall be deemed to be attended so as to be equal to the minimum period of the limitation permitted by such law.

WESTERN SURETY COMPANY

By COPY T. Brunat
Paul T. Brunat, Senior Vice President

Made this 25th day of April, 2005



Duplicate

COPY Western Surety Company RIDER

It is hereby mutually agreed and understood by and between the Principal and Western Surety Company, that instead of as originally written:

The Principal's name has been changed to read:
North Webster Community Public Library

No further changes other than above.

Nothing herein contained shall be held to vary, alter, waive or extend any of the terms, limits conditions of the Bond, except as hereinabove set forth.

This Rider becomes effective on the 2nd day of May, 2007, at 11:00 and one minute o'clock a.m., standard

Attached to and forming part of Bond No. 69897007 issued by WESTERN SURETY COMPANY of Sioux Falls, South Dakota,
North Webster Community Public Library

Signed this 2nd day of May, 2007.

WESTERN SURETY COMPAN
COPY
By Paul T. Brufat
Paul T. Brufat, Senior Vice President





Western Surety Company

CONTINUATION CERTIFICATE

Western Surety Company hereby continues in force Bond No. 69648924

briefly described as TREASURER TOWNSHIP OF NORTH WEBSTER PUBLIC LIBRARY

for TERRA FREY

_____, as Principal,

in the sum of \$ Six Thousand and 00/100 Dollars, for the term beginning

January 19, 2008, and ending January 19, 2012, subject to all

the covenants and conditions of the original bond referred to above.

This continuation is issued upon the express condition that the liability of Western Surety Company under said Bond and this and all continuations thereof shall not be cumulative and shall in no event exceed the total sum above written.

Dated this 11th day of October, 2007.

WESTERN SURETY COMPANY

By Paul T. Bruflat
Paul T. Bruflat, Senior Vice President



THIS "Continuation Certificate" MUST BE FILED WITH THE ABOVE BOND.





Western Surety Company

CONTINUATION CERTIFICATE

Western Surety Company hereby continues in force Bond No. 69648924 briefly described as TREASURER NORTH WEBSTER COMMUNITY PUBLIC LIBRARY

for TERESA FREY, as Principal,

in the sum of \$ SIX THOUSAND AND NO/100 Dollars, for the term beginning January 19, 2010, and ending January 19, 2011, subject to all the covenants and conditions of the original bond referred to above.

This continuation is issued upon the express condition that the liability of Western Surety Company under said Bond and this and all continuations thereof shall not be cumulative and shall in no event exceed the total sum above written.

Dated this 23 day of October, 2009.



WESTERN SURETY COMPANY

By Paul T. Bruflat
Paul T. Bruflat, Senior Vice President

THIS "Continuation Certificate" MUST BE FILED WITH THE ABOVE BOND.

STATE OF INDIANA
COUNTY OF KOSCIUSKO

SS:

IN THE KOSCIUSKO SUPERIOR COURT
CAUSE NO. 43003-1103-CC-100

STATE OF INDIANA *ex rel.*
GREGORY F. ZOELLER,
ATTORNEY GENERAL OF INDIANA,

Plaintiff,

v.

KRISTI RHODES and WESTERN SURETY
COMPANY,

Defendants.

**STATE OF INDIANA'S VERIFIED MOTION
FOR PRELIMINARY INJUNCTION**

The Plaintiff, State of Indiana *ex rel.* Gregory F. Zoeller, Attorney General of Indiana (the "State"), by Luke P. Hodgin, Deputy Attorney General, respectfully moves this Court pursuant to Rule 65 of the Indiana Rules of Trial Procedure and Ind. Code § 34-26-1-6 to issue a Preliminary Injunction against the Defendant, Kristi Rhodes, and her agents, representatives, successors, and assigns to enjoin them from dissipating, distributing, transferring, encumbering, assigning, paying over, or otherwise disposing in any manner or by any means property in the Defendant's possession or control pending disposition of the State's Complaint. In support of this Motion, the State shows the following:

1. On March 17, 2011, the State filed its Complaint in this action alleging that the Defendant, Kristi Rhodes, wrongfully or negligently failed to properly account for public funds of the North Webster Community Public Library (the "Library"), or otherwise committed several acts of misfeasance, malfeasance, and nonfeasance which resulted in the misappropriation, diversion, and misapplication of public funds totaling \$28,399.13. The allegations of the

Plaintiff's Complaint are incorporated herein and made a part of this Motion by reference. *See also* Affidavit of David P. Shearer, which is attached to the State's Verified Motion for Temporary Restraining Order as Exhibit A.

2. The Defendant, Kristi Rhodes, as the former bookkeeper for the North Webster Community Public Library, caused the Library to incur penalties and interest due to the Indiana Department of Workforce Development.

3. The Defendant, Kristi Rhodes, as the former bookkeeper for the North Webster Community Public Library, caused the Library to incur penalties and interest due to the Internal Revenue Service.

4. The Defendant, Kristi Rhodes, as the former bookkeeper for the North Webster Community Public Library, caused the Library to incur penalties and interest due to the Indiana Department of State Revenue.

5. The Defendant, Kristi Rhodes, as the former bookkeeper for the North Webster Community Public Library, received twenty-four checks from Library funds that were not authorized by the Library Board or the Library Treasurer, were not signed by the Library Treasurer, and were not posted to the Library ledger.

6. If the Defendant is not enjoined from dissipating, distributing, transferring, encumbering, assigning, paying over, or otherwise disposing in any manner or by any means property in the Defendant's possession or control including, but not limited to, real estate; 2004 Chevrolet Venture; 1997 Chevrolet Astro; bank accounts including, but not limited to, checking account at Lake City Bank; and any retirement plans, the State will be irreparably harmed by not being able to collect on the misappropriated, diverted, or misapplied public funds.

7. There is the likelihood that such property has been or may be sold, conveyed, or otherwise disposed of with the intent to cheat, hinder, or delay the State of Indiana or the North Webster Community Public Library.

8. A preliminary injunction is necessary to preserve the status quo until the issues raised by the State's Complaint can be heard and considered at hearing.

9. There is substantial likelihood that the State will prevail on its Complaint in this action, and the State does not have an adequate remedy at law to protect the interests of the State of Indiana or the North Webster Community Public Library.

10. The State of Indiana is a governmental organization and is not required to offer security pursuant to Rule 65(C) of the Indiana Rules of Trial Procedure.

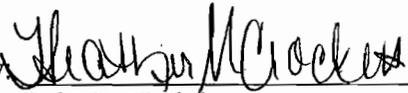
11. The Court has set this matter for a hearing on the 25TH day of March, 2011, at 2:00 p.m.

WHEREFORE, the Plaintiff, State of Indiana *ex rel.* Gregory F. Zoeller, Attorney General of Indiana, respectfully requests that the Court: (1) issue an order enjoining the Defendant, Kristi Rhodes, and her agents, representatives, successors, and assigns from dissipating, distributing, transferring, encumbering, assigning, paying over, or otherwise disposing in any manner or by any means property in the Defendant's possession or control pending disposition of the State's Complaint, and (2) grant the State all other just and proper relief.

I affirm under the penalties of perjury that the foregoing representations are true and correct to the best of my knowledge.

Respectfully submitted,

GREGORY F. ZOELLER
Attorney General of Indiana
Attorney No. 1958-98

By 
for Luke P. Hodgkin
Deputy Attorney General
Attorney No. 27162-49

CERTIFICATE OF SERVICE

I certify that a copy of the foregoing pleading was duly served upon the parties listed below by personal service (Rhodes), and U.S. Mail, Certified (Western), on this 17th day of March, 2011:

Kristi Rhodes
8959 East 350 North
Pierceton, IN 46562

Western Surety Company
Office of General Counsel
101 South Phillips Avenue
Sioux Falls, SD 57104


for Luke P. Hodgkin
Deputy Attorney General

Office of the Attorney General
Indiana Government Center South, Fifth Floor
302 West Washington Street
Indianapolis, IN 46204-2770
Telephone: (317) 232-6356
Facsimile: (317) 232-7979

STATE OF INDIANA
COUNTY OF KOSCIUSKO

SS:

IN THE KOSCIUSKO _____ COURT
CAUSE NO. _____

STATE OF INDIANA *ex. rel*
GREGORY F. ZOELLER,
ATTORNEY GENERAL OF INDIANA,

Plaintiff,

v.

KRISTI RHODES, and WESTERN SURETY
COMPANY

Defendants.

AFFIDAVIT OF DAVID P. SHEARER

I, David P. Shearer, affirm and state as follows:

1. I am a competent adult and have personal knowledge of the facts set forth herein.
2. I am employed as a Field Examiner by the State Board of Accounts ("SBOA").
3. As a field examiner with the SBOA, I am assigned to the district covering St. Joseph, Elkhart, Marshall and Kosciusko Counties.
4. I performed an examination of the North Webster Community Public Library, covering the period of January 1, 2010 to October 31, 2010.
5. Kristi Rhodes was the bookkeeper of the North Webster Community Public Library for the duration of the audit period.
6. The results of my audit of the North Webster Community Public Library's official records revealed a loss to the Library of, or in excess of, \$28,399.13, in which the funds of the Library were being misappropriated, diverted or unaccounted for by Kristi Rhodes.
7. During the examination of the records of the North Webster Community Public Library, I discovered that the Library had paid penalties and interest to the Indiana Department of Revenue totaling \$1,585.10.
8. During the examination of the records of the North Webster Community Public Library, I discovered that the Library had paid penalties and interest to the Internal Revenue Service totaling \$8,791.69.
9. During the examination of the records of the North Webster Community Public Library, I discovered that the Library had paid penalties and interest to the Indiana Department of Workforce Development totaling \$1,032.05.



10. During the examination of the records of the North Webster Community Public Library, I discovered checks that had been paid to the bookkeeper, Kristi Rhodes, without approval from either the Library Director or the Library Board. These checks were not included in the ledger and were not signed by the Library Treasurer. The total amount of these checks was \$16,990.29.
11. The State Board of Accounts prepared audit report B38499 based upon the results of the examination of the North Webster Community Public Library.
12. The Plaintiff in this action is the State of Indiana.
13. The civil proceedings instituted by the Attorney General, such as injunctive relief or prejudgment attachment, are based upon allegations that Kristi Rhodes committed misfeasance, malfeasance, or nonfeasance under Ind. Code § 5-11-5-1(d).

Further Affiant sayeth naught.

I affirm, under the penalties for perjury, that the foregoing representations are true.



David Shearer
Field Examiner
State Board of Accounts

State of Indiana

SS:

County of

Subscribed and sworn before me, the undersigned, a Notary Public in and for said county and state, this

8 day of March, 2011.


Notary Public - St. Joseph County Clerk

My commission expires:

Notary Public

My County of Residence

Printed Name

STATE OF INDIANA
COUNTY OF KOSCIUSKO

SS:

IN THE KOSCIUSKO SUPERIOR COURT
CAUSE NO. 43103-1103-CC-10D

STATE OF INDIANA *ex rel.*
GREGORY F. ZOELLER,
ATTORNEY GENERAL OF INDIANA,

Plaintiff,

v.

KRISTI RHODES and WESTERN SURETY
COMPANY,

Defendants.

**STATE OF INDIANA'S VERIFIED MOTION FOR
TEMPORARY RESTRAINING ORDER**

The Plaintiff, State of Indiana *ex rel.* Gregory F. Zoeller, Attorney General of Indiana (the "State"), by Luke P. Hodgin, Deputy Attorney General, respectfully moves this Court pursuant to Rule 65 of the Indiana Rules of Trial Procedure and Ind. Code § 34-26-1-6 to issue a Temporary Restraining Order against the Defendant, Kristi Rhodes, and her agents, representatives, successors, and assigns to temporarily restrain and enjoin from dissipating, distributing, transferring, encumbering, assigning, paying over, or otherwise disposing in any manner or by any means property in the Defendant's possession or control pending hearing on the State's Verified Motion for Preliminary Injunction. In support of this Motion, the State shows the following:

1. On March 17, 2011, the State filed its Complaint in this action alleging that Kristi Rhodes, former bookkeeper for the North Webster Community Public Library (the "Library"), wrongfully or negligently failed to properly account for funds of the Library, or otherwise committed several acts of misfeasance, malfeasance, and nonfeasance which resulted in the

misappropriation, diversion, and misapplication of public funds totaling \$28,399.13. The allegations in the State's Complaint are incorporated herein and made a part of this Motion by reference. *See also* Affidavit of David P. Shearer, attached hereto and incorporated herein as Exhibit A.

2. If the Defendant, Kristi Rhodes, is not restrained from dissipating, distributing, transferring, encumbering, assigning, paying over, or otherwise disposing in any manner or by any means property in the Defendant's possession or control including, but not limited to, real estate; 2004 Chevrolet Venture; 1997 Chevrolet Astro; bank accounts including, but not limited to, checking account at Lake City Bank; and any retirement plans, the State will be irreparably harmed.

3. There is the likelihood that such property has been or may be sold, conveyed, or otherwise disposed of with the intent to cheat, hinder, or delay the State of Indiana or the North Webster Community Public Library.

4. A temporary restraining order is necessary to preserve the status quo until the issues raised in the State's Verified Motion for Preliminary Injunction can be heard and considered by this Court.

5. There is substantial likelihood that the State will prevail on its Complaint in this action, and the State does not have an adequate remedy at law to protect the interests of the State of Indiana and the North Webster Community Public Library in the matters raised in this Motion.

6. Pursuant to T.R. 65(B)(1) the State verified its Motion and attached an affidavit.

7. Pursuant to T.R. 65(B)(2) the State gave oral notice to the Defendant on the morning of March 17, 2011, of the State's intention to file this Motion, and will provide written notice via personal service in the afternoon of March 17, 2011.

8. The State of Indiana is a governmental organization and is not required to offer security pursuant to T.R. 65(C).

9. The State requested, and the Court granted, a hearing on the State's Verified Motion for Preliminary Injunction within ten days; specifically, March 25, 2011, at 2:00 p.m.

WHEREFORE, the Plaintiff, State of Indiana *ex rel.* Gregory F. Zoeller, Attorney General of Indiana, respectfully requests that the Court: (1) issue an order temporarily restraining the Defendant, Kristi Rhodes, and her agents, representatives, successors, and assigns from dissipating, distributing, transferring, encumbering, assigning, paying over, or otherwise disposing in any manner or by any means property in the Defendant's possession or control pending hearing on the State's Verified Motion for Preliminary Injunction, and (2) grant the State all other just and proper relief.

I affirm under the penalties of perjury that the foregoing representations are true and correct to the best of my knowledge.

Respectfully submitted,

GREGORY F. ZOELLER
Attorney General of Indiana
Attorney No. 1958-98

By 
for Luke P. Hodgkin
Deputy Attorney General
Attorney No. 27162-49

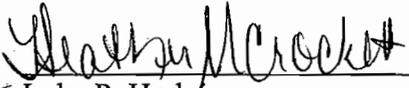
Office of the Attorney General
Indiana Gov't Center South, Fifth Floor
302 West Washington Street
Indianapolis, IN 46204-2770
Telephone: (317) 232-6356
Facsimile: (317) 232-7979

CERTIFICATE OF SERVICE

I certify that a copy of the foregoing pleading was duly served upon the parties listed below by personal service (Rhodes), and U.S. Mail, Certified (Western), on this 17th day of March, 2011:

Kristi Rhodes
8959 East 350N
Pierceton, IN 46562

Western Surety Company
Office of General Counsel
101 South Phillips Avenue
Sioux Falls, SD 57104


Deputy Attorney General

Office of the Attorney General
Indiana Government Center South, Fifth Floor
302 West Washington Street
Indianapolis, IN 46204-2770
Telephone: (317) 232-6356
Facsimile: (317) 232-7979

STATE OF INDIANA
COUNTY OF KOSCIUSKO

SS:

IN THE KOSCIUSKO _____ COURT
CAUSE NO. _____

STATE OF INDIANA *ex. rel*
GREGORY F. ZOELLER,
ATTORNEY GENERAL OF INDIANA,

Plaintiff,

v.

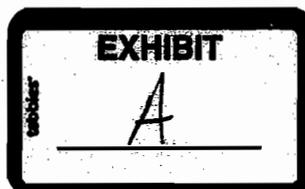
KRISTI RHODES, and WESTERN SURETY
COMPANY

Defendants.

AFFIDAVIT OF DAVID P. SHEARER

I, David P. Shearer, affirm and state as follows:

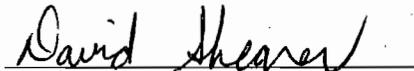
1. I am a competent adult and have personal knowledge of the facts set forth herein.
2. I am employed as a Field Examiner by the State Board of Accounts ("SBOA").
3. As a field examiner with the SBOA, I am assigned to the district covering St. Joseph, Elkhart, Marshall and Kosciusko Counties.
4. I performed an examination of the North Webster Community Public Library, covering the period of January 1, 2010 to October 31, 2010.
5. Kristi Rhodes was the bookkeeper of the North Webster Community Public Library for the duration of the audit period.
6. The results of my audit of the North Webster Community Public Library's official records revealed a loss to the Library of, or in excess of, \$28,399.13, in which the funds of the Library were being misappropriated, diverted or unaccounted for by Kristi Rhodes.
7. During the examination of the records of the North Webster Community Public Library, I discovered that the Library had paid penalties and interest to the Indiana Department of Revenue totaling \$1,585.10.
8. During the examination of the records of the North Webster Community Public Library, I discovered that the Library had paid penalties and interest to the Internal Revenue Service totaling \$8,791.69.
9. During the examination of the records of the North Webster Community Public Library, I discovered that the Library had paid penalties and interest to the Indiana Department of Workforce Development totaling \$1,032.05.



10. During the examination of the records of the North Webster Community Public Library, I discovered checks that had been paid to the bookkeeper, Kristi Rhodes, without approval from either the Library Director or the Library Board. These checks were not included in the ledger and were not signed by the Library Treasurer. The total amount of these checks was \$16,990.29.
11. The State Board of Accounts prepared audit report B38499 based upon the results of the examination of the North Webster Community Public Library.
12. The Plaintiff in this action is the State of Indiana.
13. The civil proceedings instituted by the Attorney General, such as injunctive relief or prejudgment attachment, are based upon allegations that Kristi Rhodes committed misfeasance, malfeasance, or nonfeasance under Ind. Code § 5-11-5-1(d).

Further Affiant sayeth naught.

I affirm, under the penalties for perjury, that the foregoing representations are true.


 David Shearer
 Field Examiner
 State Board of Accounts

State of Indiana

County of

SS:

Subscribed and sworn before me, the undersigned, a Notary Public in and for said county and state, this

8 day of March, 2011.


 Notary Public St Joseph County Clerk

My commission expires:

 Notary Public

My County of Residence

 Printed Name

STATE OF INDIANA
COUNTY OF KOSCIUSKO

SS:

IN THE KOSCIUSKO SUPERIOR COURT
CAUSE NO. 43DD3-1103-CC-100

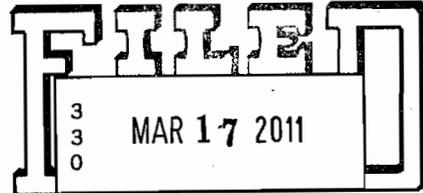
STATE OF INDIANA *ex rel.*
GREGORY F. ZOELLER,
ATTORNEY GENERAL OF INDIANA,

Plaintiff,

v.

KRISTI RHODES, and WESTERN
SURETY COMPANY

Defendants.



J. M. Sh...
CLERK, KOSCIUSKO SUPERIOR COURT NO. 3

TEMPORARY RESTRAINING ORDER

This cause comes before the Court on the State of Indiana's Verified Motion for Temporary Restraining Order, and the Court, having considered the State's Motion and the allegations contained in the State's Complaint, now finds as follows:

1. On March 17, 2011, the State filed a Verified Motion for Temporary Restraining Order and Verified Motion for Preliminary Injunction requesting that the Court enter an order to restrain the Defendant, Kristi Rhodes, and her agents, representatives, successors, and assigns from dissipating, distributing, transferring, encumbering, assigning, paying over, or otherwise disposing in any manner or by any means property in the Defendant's possession or control.
2. Unless restrained, the Defendant may dispose of property held in her name, in her possession, or in her control prior to the hearing on the State's motion for injunctive relief.
3. Unless the Defendant is restrained from dissipating, distributing, transferring, encumbering, assigning, paying over, or otherwise disposing in any manner or by any means property in the Defendant's possession or control, the State will be irreparably harmed due to the likelihood that public funds will be disposed or dissipated.

4. A temporary restraining order is necessary to preserve the status quo until the issues raised by the State's Verified Motion for Preliminary Injunction can be heard and considered by this Court.

5. The Defendant was orally notified of the State's intention to file the Verified Motion for Temporary Restraining Order in the morning of March 17, 2011, and will be personally served in the afternoon of March 17, 2011.

6. The State is a governmental organization and is not required to offer security pursuant to Rule 65(C) of the Indiana Rules of Procedure.

7. The State's Motion for Temporary Restraining Order should be granted.

IT IS THEREFORE ORDERED by the Court that the Defendant, Kristi Rhodes, and her agents, representatives, successors, and assigns from dissipating, distributing, transferring, encumbering, assigning, paying over, or otherwise disposing in any manner or by any means property in the Defendant's possession or control including, but not limited to, real estate; 2004 Chevrolet Venture; 1997 Chevrolet Astro; bank accounts including, but not limited to, checking account at Lake City Bank; and any retirement plans, pending hearing on the State's Verified Motion for Preliminary Injunction.

Dated: MARCH 17, 2011



Hon. Joe V. Sutton
Judge, Kosciusko Superior Court

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