



ACCOUNTING BULLETIN

TO: Fiscal Officers of All State Agencies

FROM: Sharon Pinto, Director of Bond & Debt Reporting

DATE: April 20, 2009

SUBJECT: Treatment of “Tendered” Bonds Due to Remarketing Failures

NUMBER: 149

This bulletin applies to agencies and authorities that issue bonds or account for outstanding bonds and are subject to the Illinois Office of the Comptroller (IOC) bond reporting requirements.

In light of the recent economy and numerous remarketing failures of “**tendered bonds**”, the IOC has adopted the following procedures for Bond Trustees (Trustee) to follow with regard to presenting this information on the IOC Form C-08, Notice of Payment of Bond Interest and/or Principal.

When a remarketing fails and the bonds have a credit facility, liquidity facility or letter of credit enhancement that covers the purchase price of the **tendered bonds** that have not been remarketed, the bonds outstanding become “*bank bonds*”. These *bank bonds* are still outstanding to the issuing agency, but are not paying interest at the market bond rate. Interest on these *bank bonds* is still payable to the Letter of Credit bank, usually at an interest rate different than had the bonds been sold at remarketing.

Because these *bank bonds* are still outstanding to the issuing agency, the IOC requires the Trustee to continue to report the total balance of bonds outstanding when filing the C-08. In addition, the Trustee should also disclose the portion of the outstanding bonds that are currently *bank bonds* in a footnote on line 10 of the C-08 (Exhibit 31.30.20B of the SAMS Manual) as “includes \$xxx,xxx of *bank bonds* outstanding.” This indicates to the IOC why there may be a significant change in interest expense for that particular payment.

Should you have any questions with regard to this bulletin, please contact Timothy Burch at 217-524-5878 or via e-mail at TimothyB@mail.ioc.state.il.us. Agencies may access this and other Payroll, SAMS and Accounting Bulletins on the IOC website at www.ioc.state.il.us under Resource Library.