



ILLINOIS CPA SOCIETY™

May 17, 2016

To the Director of Research and Technical Activities
Project No. 3-24E
Governmental Accounting Standards Board
401 Merritt 7, P.O. Box 5116
Norwalk, Connecticut 06856-5116

First, the Governmental Executive Committee (Committee) would like to express its appreciation to the Board's members and staff for considering our comments in response to the "Exposure Draft of the Governmental Accounting Standards Board on major issues related to Leases." We are generally supportive of the Board's effort to improve clarity and transparency of financial reporting by utilizing a uniform model for lease reporting.

In reviewing the current Exposure Draft, the Committee identified several concerns that the Board should consider before the final pronouncement is issued, as follows:

- The complexity of applying the new standard on smaller local government units will be a significant burden on those entities.
- Compliance with debt covenants could be impacted with the recording of the additional liabilities on the financial statements.
- The recording of the lease receivable along with the retention of the underlying asset gives the appearance of inflating the lessor's assets.
- Addition of the deferred inflows and outflows to the statement of position may lessen the statements impact, as the complexity may cause users (Board members, constituents and the general public) to discount the entire statement.

The Committee also identified the following possible additions and modifications to the statement that we thought would facilitate understanding, as follows:

- An appendix should be included to provide examples of the lease accounting for both the lessee and lessor under both the economic resources measurement focus as well as the current financial resources models to clearly identify the methodology to be applied in all the above situations.
- Paragraph 8 seems to be redundant. Whatever is currently stated in this paragraph can also be found in the Table of Contents.

- Paragraph 12 – suggest adding a flowchart to illustrate the decision-making factors in determining and reassessing lease term.
- Paragraph 56 – Appendix C, Flowchart for Allocation of Consideration to Multiple Components should be referred here. Otherwise, Appendix C could be removed and just added to the flowchart as initially shown in the Preliminary Views.

Again, we appreciate the opportunity to offer our comments to the Board.

Sincerely,

Christine Torres, CPA
Chair, Governmental Executive Committee

APPENDIX A

ILLINOIS CPA SOCIETY GOVERNMENTAL EXECUTIVE COMMITTEE ORGANIZATION AND OPERATING PROCEDURES 2016-2017

The Governmental Executive Committee of the Illinois CPA Society (Committee) is composed of the following technically qualified, experienced members appointed from government and public accounting. These members have Committee service ranging from newly appointed to more than 30 years. The Committee is an appointed senior technical committee of the Society and has been delegated the authority to issue written positions representing the Society on matters regarding the setting of governmental accounting and auditing standards. The Committee's comments reflect solely the views of the Committee, and do not purport to represent the views of their business affiliations.

The Committee usually operates by assigning Subcommittees of its members to study and discuss fully exposure documents proposing additions to or revisions of accounting standards. The Subcommittee ordinarily develops a proposed response that is considered, discussed, and voted on by the full Committee. Support by the full Committee then results in the issuance of a formal response, which at times, includes a minority viewpoint.

Current members of the Committee and their business affiliations are as follows:

Public Accounting/Professional Service Firms:

Linda Abernethy, CPA	RSM USA LLP
Angela Allen, CPA	Washington, Pittman & McKeever, LLC
Julie Barrientos, CPA	KPMG LLP
John Blackburn, CPA	Swartztrauber & Co.
Jason Coyle, CPA	Baker Tilly Virchow Krause, LLP
John Epperson, CPA	Miller Cooper & Company Ltd.
Ed McCormick, CPA	Mulcahy, Pauritsch, Salvador & Co. Ltd.
Deborah Ringer, CPA	Kerber, Eck & Braeckel LLP
Michelle Ringold, CPA	Ringold Financial Management Services, Inc.
Leilani Rodrigo, CPA	E C Ortiz & Co. LLP
Moises Sanchez, CPA	Deloitte LLP
James Savio, CPA	Sikich LLP
Colin Thompson, CPA	Legacy Professionals LLP
Christine Torres, CPA (Chair)	Crowe Horwath LLP
Sheila Weinberg, CPA	Institute for Truth in Accounting

Government/Others:

Abiola Bankole-Hameed, CPA	National Black MBA Association, Inc.
Duffy Blackburn, CPA	The County of Will
Joan Li, CPA	Northern Trust
John Norton, CPA	Oak Park Township
Daniel Nugent, CPA	State of Illinois Office of the Auditor General
Kenneth Oliven, CPA	Village of Alsip
William Schmidt, CPA	Skokie Park District
Douglas Tinch, CPA	Illinois Department of Healthcare & Family Services
Rita Trainor, CPA	Wheaton Park District
Alise White, CPA	Illinois State Board of Investments

Staff Representative:

Gayle Floresca, CPA	Illinois CPA Society
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