September 25, 2013

To the Director of Research and Technical Activities
Project Nos. 3-20E and 26-5P
Governmental Accounting Standards Board
401 Merritt 7, P.O. Box 5116
Norwalk, Connecticut 06856-5116

The Governmental Executive Committee (Committee) is pleased to comment on the projects 26-5 “Fair Value Measurement and Application” and 3-20E “Measurement of Elements of Financial Statements. In conjunction with this response we have reviewed the Board’s June 3, 2013 document titled “Measurement Concepts for Assets and Liabilities and Fair Value Measurement and Application. Our comments represent the collective views of this Committee and not the individual views of the members or organizations with which they are affiliated. The organization and operating procedures of the Committee are outlined in Appendix A to this letter.

We offer the following responses to the Questions for Respondents contained in the Preliminary Views of the Governmental Accounting Standards Board’s “Measurement Concepts for Assets and Liabilities and Fair Value Measurement and Application”

Issue 1: Disagree. We feel that the definition of fair value should be the price that would be received upon a sale in an arms-length transaction net of related expenses of disposition.

Issue 2: Disagree. If assets are to be valued at fair value, they should consider transaction costs related to the sale if significant. If these costs are not considered, the fair value does not represent a true estimate of the net price that would be received. The Standard should establish a criteria for significance in this instance. For instance, 5% of sale price might be considered relevant and significant.

Issue 3: Agree. This is a good criterion for determining what assets should be treated as an investment.
We offer the following responses to the Questions for Users about Measurement Concepts contained in the “Proposed Statement of Concepts and Preliminary Views of the Governmental Accounting Standards Board: Plain Language Supplement on Measurement Concepts for Assets and Liabilities and Fair Value Measurement and Application”:

Question 1- *Agree*. Investment assets measure of performance should include changes in fair value. This would be obtained through annual remeasurements.

Question 2- *Agree*. Primarily because it provides for greater consistency and comparability in its application. The remeasurement process could be quite cumbersome and include estimates that would not consistently be applied between governments.

Question 3- *Agree*. For the same reason as given in response to question 2.

Question 4- *Disagree*. Replacement cost is not an appropriate measure to record the results of operation. It is an extensive process and could lead to inconsistent application. For instance, to replace some capital assets, the cost of engineering/architect fees needed for design/retrofitting and installation would have to be considered on an annual basis as well as the cost of removing the existing asset in order to be an appropriate representation of the cost of replacing the asset. For the impact of a replacement to be recorded, the actual replacement should occur and the impact be reported at that time as a period expense under the all events doctrine.

We appreciate the opportunity to offer our comments and responses.

Sincerely,

Irwin A. Lyons, CPA, MBA
Chair, Governmental Executive Committee
APPENDIX A

ILLINOIS CPA SOCIETY
GOVERNMENTAL EXECUTIVE COMMITTEE
ORGANIZATION AND OPERATING PROCEDURES
2013-2014

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 20 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   McGladrey LLP
- Angela Allen, CPA   Washington, Pittman & McKeever, LLC
- Julie Barrientos, CPA   KPMG LLP
- John Blackburn, CPA   Swartztrauber & Co.
- Derek Brown, CPA   Ringold Financial Management Services, Inc.
- Martin Friedman, CPA   McGladrey LLP
- Arthur Gunn, CPA   Arthur S. Gunn, Ltd.
- Harry Heifetz, CPA   Harry S. Heifetz, CPA
- Nickolas Lekovish, CPA   John Kasperek Co. Inc, CPA
- Irwin Lyons, CPA (Chairman)   Miller, Cooper & Co., Ltd.
- Bert Nuehring, CPA   Crowe Horwath LLP
- Deborah Ringer, CPA   Kerber, Eck & Braeckel LLP
- Leilani Rodrigo, CPA   E C Ortiz & Co. LLP
- Moises Sanchez, CPA   Deloitte LLP
- James Savio, CPA   Sikich LLP
- Sheila Weinberg, CPA   Institute for Truth in Accounting

**Government:**
- Duffy Blackburn, CPA   The County of Will
- Barry Dale, CPA   U.S. Department of Labor (Retired)
- John Norton, CPA   Oak Park Township
Daniel Nugent, CPA  
State of Illinois Office of the Auditor General  
Kenneth Oliven, CPA  
City of Park Ridge  
Douglas Tinch, CPA  
Illinois Department of Healthcare & Family Services  
Alise White, CPA  
Illinois State Board of Investments  

Staff Representative:  
Gayle Floresca, CPA  
Illinois CPA Society