In Practice

FINANCE | ACCOUNTING | PERSPECTIVES | INTERVIEWS

FINANCE

Collaboration is Key for the Lakota Local School District

BY KATIE LUDWIG

The leaders of the finance team at the Lakota Local School District (LLSD) in Butler County, Ohio believe collaboration has been the key to the team's success in navigating the challenges presented by the COVID-19 pandemic over the last year.

"Collaboration is all about problem-solving," said Jenni Logan, Treasurer/CFO for LLSD. "So, most of the collaboration that happens is not planned. This past year is an example of that. We could not anticipate the issues that we were going to be dealing with on a daily basis, but as they came up, we had that foundation in place, that trust. Whatever came at us, we sat down, and we problem-solved together, and I'm proud of the work that we've done. I'm proud of what we've been able to do for our students during this time, and for our staff, but my God, it's been hard work."

"We've joked a lot about when the pandemic started and we were dealing with the shutdown, things that we did really well got highlighted and things that we needed to work on also got highlighted. Everything was amplified," said Adam Zink, Assistant Treasurer. The amplification of things that needed immediate attention also prompted the team to communicate and collaborate more effectively because "we had to be hyper-focused on how to get the train back on the tracks as quickly as possible."

Jenni explained that in the year leading up to the beginning of the pandemic, her team was working on improving how they work together. She believes these efforts have paid off. "We decided to do a book study, to do some team-building around "The Five Dysfunctions of a Team," she said. The team committed to getting together

"Collaboration is all about problem-solving."

JENNI LOGAN, LLSD TREASURER/CFO

four times a year at an off-site location. For two of the meetings, the team stayed overnight.

"That work was invaluable to surviving and thriving through this pandemic," she said. "Our thematic goal was built around trust. We started by really opening ourselves up and being vulnerable." She explained that each team member completed a DiSC profile and shared the results with the rest of the team so they could better understand each other's' preferred communication styles.

"Collaboration is really about at least two people coming together and working on a goal or a task. Before you can even do that and share ideas and work as a team, there's got to be trust, and so that's what we worked on," she said.

"We collaborate all the time and don't even realize it in our school district and in our department," said Jenni. "We can't pay vendors alone. We can't process payroll alone. It takes all of us… We collaborate without even giving it a second thought. It's just part of our work, but if you want to do it well, and you want to excel and take things to the next level, you have to take the time and make sure that everyone on the team understands the goals."

Adam explained that working remotely over the last year made the team realize that they didn't have to be together in a room in order to collaborate. The team has found Microsoft Teams to be very helpful for collaborating while working in a remote environment. "It's no longer uncomfortable to have video chat; it's just normal now," said Adam.

When someone was away from the office on any sort of leave, the prevailing thought used to be that they were not working, but the pandemic has changed this and shown Jenni and Adam how productive people can be when they are working remotely. "I was that person who said, 'You can't work remotely and be productive. No, that can't happen. If people want to work remotely, they're just wanting an easy way out.' Boy, was I wrong," said Jenni.

Adam's wife is expecting their first child and he is anticipating taking some parental leave. The ability to work remotely will allow him to help while he is on leave. "I can still contribute without being here," he said. He likes the idea that the other team members won't have to carry one hundred percent of his workload while he's out.

To ensure that collaboration doesn't fall by the wayside, Jenni and Adam agreed that having a set time to meet every week is essential. Within Finance, the leadership team gets together at 9 a.m. every Tuesday. The team maintains a shared Google doc in which each team member can enter agenda items for discussion during this meeting. This gives the team an hour of Jenni's undivided attention each week. Flexibility is important; sometimes the meeting gets cancelled, and sometimes it is switched to a different day. Other times, Jenni will review the Google doc and address items individually. More often than not, though, the team meets, even if virtually.

Jenni and Adam shared an example of how collaboration helped LLSD address some of the challenges related to working remotely. Throughout the pandemic, the district continued to hire, so Finance and HR had to figure out how they could collect all the initial paperwork that they needed to get a new employee set up with payroll, benefits, and technology. Through virtual collaboration, the staff was able to develop an online onboarding process. The team was also able to develop a process for staff to update their direct deposit information remotely. Right before the pandemic, other school districts in Ohio had received phishing emails attempting to access employees' bank account information, so the team was very focused on developing a process to ensure that any request to update direct deposit information is legitimate before making the change. The process was modified to include meeting with the employee face-to-face utilizing Microsoft Teams to verify the information before making any change.

Jenni and Adam also recounted how technology and the COVID-19 pandemic have changed the way LLSD collaborates with the public. "We've had higher attendance at board meetings than we've had since I joined the district in 2016, because it's so much easier for people to watch via Zoom," said Adam.

"Some of the things that we've put into place now, since the pandemic, were probably things we should have been doing all along," Jenni pointed out. "I don't even know what normal is going to be going forward, but normal will not be what we knew before. I believe that it shouldn't be. We'll continue to do some of these things because they make sense. They're efficient. They're more user-friendly. A lot of what we do is about customer service, and I know that our internal and external customers are going to be much happier with some of the things that we've put into place during this pandemic."

As an example of a change that will likely become permanent, Jenni described LLSD's effort to create a fully online student enrollment process. "It's usually really crazy during the summertime, especially for kindergarten registration. We would make appointments and parents would have to leave work to come in and register their upcoming kindergartner," she explained. "Now, we're allowing all of that to be done remotely, which again, back to that customer service piece, is better: parents don't have to take time off from work to come in and enroll their child."

Jenni explained that LLSD's budget process, which is informed by GFOA's Smarter School Spending framework, is another good example of how the different LLSD departments collaborate. "We do budget hearings annually, where we bring everyone in," she said. "We don't just throw a budget at them and say, 'Here, fill out a budget grid and hand it back in by this deadline.' We actually sit down, and we talk to them," she said. The superintendent, the executive team, and all departments participate in these meetings. The conversations focus on how to align resources with the District's goals and priorities. "The meetings are longer, but there's better communication, and I think they [the other departments] do see us as a partner, instead of just someone there for compliance and paying the bills," she said.

Adam noted that when the district first started budget meetings, they were more structured and one-sided. Over the years, they have become more relaxed and organic. He believes this is because people are more comfortable with and trusting of each other.

Jenni agreed. "There are things that come up in those meetings that were not on anyone's agenda, but it comes out organically and then we work on it, we problem-solve it, we figure out how to prioritize it together," she said.

Jenni also mentioned that she has found it valuable to collaborate with other school district officials during the pandemic. "In our county, all the school district treasurers have been jumping on a Zoom once a week to talk about issues," she said. A popular topic of those conversations has been how to utilize funds provided by the Elementary and Secondary School Emergency Relief Fund (ESSER). Jenni said it has been helpful to brainstorm about possible uses of those funds and hear what other districts are planning to do with their funds.

Jenni and Adam explained that the pandemic presented some challenges related to staff transitions. During the pandemic, the Director of Finance retired, and the Director of Budget moved into that position. Around the same time, the Director of Payroll and Benefits moved into a new position within the organization. "We had two brand-new people join our team as administrators and two existing administrators changed roles," said Jenni. "Our support staff was still remote, and we found that...it didn't

> I was that person who said, 'You can't work remotely and be productive.' Boy, was I wrong."

ADAM ZINK,
LLSD ASSISTANT TREASURER

work well for us to have the support staff remote with a brand-new director coming in." Adam explained that working remotely "made it tricky" for the teams to get to know their new directors, so Jenni and Adam had to figure out a way they could work together in the same location for a period of time so that they could bond as a team and develop a baseline level of trust, while maintaining social distancing standards.

Jenni and Adam both acknowledged that early on in the pandemic there was a lack of consistency across LLSD regarding communication and file-sharing platforms. Some departments preferred Google docs while others used Microsoft Teams, and others sent email attachments or saved things in shared folders on the network. Without consistency, it took significant effort to figure out where documents could be accessed.

"Everybody seemed to like to use something a little different," Adam explained. He believes it would have been helpful to pick one file-sharing platform for the organization sooner than they did. Similarly, Jenni mentioned that among the LLSD executive team, sometimes communication happens via group texts, sometimes via email, and sometimes in Microsoft Teams.

She agreed that consistency in the preferred communication platform would have benefited the team, but everyone was moving so fast and in survival mode that creating it eluded them.

Keeping the team consistently motivated and engaged while working remotely during the pandemic has been a challenge for the Lakota LSD team, but Jenni and Adam have come up with some fun ways to keep people engaged and connected. Early on during the pandemic, Adam started announcing a theme for the day and challenged everyone to find a GIF related to the theme and share it on Teams. Their team has responded very positively and looks forward to guessing what the theme will be for each day. This seemingly small gesture has gone a long way toward making sure people don't feel isolated working from home.

Jenni and Adam described a tradition in their office to help new staff get to know the existing staff better. When a new staff member joins the team, that person is given three questions that they have to ask all the rest of the staff. The questions change from time to time and include things like, "What's your ideal vacation spot?" and, "If you were going to be stuck on a desert island, what's the one thing you would take with you?" The new person has to visit all the existing staff members and get their answers. It's a fun exercise that helps the new staff member meet everyone and get to know them a bit better.

Jenni and Adam admit that neither of them is good about "figuring out what to do for fun." They both acknowledged that their executive assistant is very good at planning fun activities, so in preparation for the team coming back to work in the office, they asked her to put together a welcome packet for each team member. The theme is "The Show Must Go On," and each packet will include popcorn, a Doordash gift certificate, and a few other treats. Jenni and Adam agreed that this effort was important to express their appreciation to the team. "We wanted to welcome them back and say, 'Hey, the show did go on and you guys rocked,'" said Jenni.

Superpowers and Secret Agents

BY MICHELE MARK LEVINE

GFOA's superpowers—as they pertain to our x-ray insights about governmental financial reporting—are derived from our annual reviews of nearly 4,400 annual comprehensive financial reports (ACFRs).[1] The technical services team members who review each of the ACFRs submitted to GFOA's Certificate of Achievement for Excellence in Financial Reporting (COA) Award Program have the opportunity to see firsthand the great efforts made—and successes achieved—by the many state and local governments that are dedicated to financial transparency and accountability. We also see in high definition, so to speak, the difficulties governments sometimes face in implementing new pronouncements of the Governmental Accounting Standards Board (GASB). With great power comes great responsibility, and so we share the insights we gain to help improve ACFRs going forward.

GASB Statement No. 84, *Fiduciary Activities* (GASB 84), becomes effective for all governments' reporting periods beginning after December 15, 2019, and its guidance has been incorporated into appropriate sections of the GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, primarily in sections 1300, "Fund Accounting;" 1600, "Basis of Accounting;" and 2200, "Comprehensive Annual Financial Report." However, prior to the pandemic and the resulting issuance of GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, GASB 84's original implementation date was one year earlier. For those governments with calendar fiscal years, the December 31, 2019 year for which they were originally required to implement GASB 84 had ended more than five months before the postponement became official, in May of 2020. Moreover, those with June 30th fiscal year-ends were nearly at the close of what would have been their first year's reporting in accordance with the new standards. As a result, many governments elected to implement on their original schedules despite the postponement, giving GFOA an unusual volume of early implementation examples from which to glean timely lessons learned. The great majority of GASB 84 early implementers appear to have done so quite well, but the more common deficiencies we have been seeing are discussed herein.

Fiduciary funds used to report nonfiduciary activities

GASB 84 introduced a new fiduciary fund type, custodial funds, and eliminated the agency fund type. This was not, however, a one-for-one replacement; not all of the funds governments previously reported as agency funds meet the GASB 84 criteria to be fiduciary activities. When activities that were previously reported in agency funds fail the test for fiduciary activities but are nonetheless properly reported as activities of the reporting government, they must be reported as governmental or business-type activities and be classified as either governmental or proprietary funds, as appropriate.

Among early implementers, some such nonfiduciary activities have been erroneously reported in custodial funds. The two examples we've seen most frequently were addressed in GASB's implementation guidance, which specified that neither is a fiduciary activity:

- Amounts held in clearing accounts, such as for employee payroll deductions,[2] and Retainage and guarantee deposits held as a result of the reporting government's exchange transactions, such as construction contracts.[3]

Fiduciary funds not reported by fund-type

Similar to previous fiduciary fund reporting requirements, GASB 84 mandated that statements of fiduciary net position and statements of changes in fiduciary net position in basic financial statements be reported by *fund type*.[4] Only a single column should be reported, for example, for all pension (and other employee benefit) trust funds, regardless of how many separate plan trusts a government reports.

The single exception is when a reporting government operates one or more external investment pools that are not held in trust,[5] managing the assets of third parties. In these cases only, the external portion (assets held for third parties, including for governments outside of the reporting government's financial reporting entity) of the pool's assets should be reported in their own column, separate from other custodial funds, if any, with both columns comprising the custodial fund classification.[6]

Whenever a fiduciary fund type column includes more than a single fund, however, a combining statement for the fund type should be presented in the supplemental information section of the ACFR, to support that column.[7]

Custodial funds reported as if they were agency funds

A number of GASB 84 early implementers mistakenly brought forward some or all of the prior generally accepted accounting principles (GAAP) that were uniquely applicable to agency funds and applied them to the new custodial funds.

Agency funds were unique in that they were said to have only a *basis of accounting* (specifically the full accrual basis of accounting, like proprietary funds and private-sector entities they report all economic assets and liabilities),[8] but no *measurement focus*. A measurement focus indicates *what kind of resources* are being measured in order to be able to identify changes in the residual value (equity or net position) of those types of resources; hence funds without a measurement focus never recognized resource flows. Said differently, agency funds reported only a financial position as of the reporting date, but no activities for the reporting period then ended. This made sense because agency funds had no equity or net position; any assets in excess of the liabilities payable to parties other than the funds' beneficiaries were reported as liabilities payable to those beneficiaries.

GASB 84 states that custodial funds, like most other types of fiduciary funds,[9] should not recognize liabilities to beneficiaries until "an event has occurred that compels the government to disburse fiduciary resources." As a result, custodial funds, unlike agency funds, will normally have a fiduciary net position (restricted), and resource flows will increase or decrease that position during a reporting period. Hence GASB 84 requires that custodial funds report a statement of changes in fiduciary net position and gives custodial funds an economic resources measurement focus to use in doing so.

GFOA staff reviews more than **4,400** annual comprehensive financial reports every year.

In some cases, however, we see that early implementers have:

- Reported only a statement of fiduciary net position and not a statement of changes in fiduciary net position for custodial funds,
- Reported no fiduciary net position (only liabilities to beneficiaries) for custodial funds, and/or
- Included fiduciary fund disclosures in the summary of significant accounting policies that describe custodial funds as having no measurement focus and reporting no activities, as if they were custodial funds.

An often-overlooked aspect of using an economic resources measurement focus is that custodial funds that report taxes collected on behalf of another government must accrue taxes receivable. Because the collecting government "directs the use, exchange or employment"[10] of the taxes receivable—through the exercise of its collection responsibilities—it has control of "the assets associated with the activity."[11] The criteria for a fiduciary activity would be met, even before any cash has been collected.[12]

Finally, some early implementers have included custodial funds in their statements of changes in fiduciary net position, but without providing the required detail. GASB 84 specified custodial funds should disaggregate additions by source[13] and disaggregate deductions by type[14] for all fiduciary fund types. There is an exception to the requirement for this level of detail for situations in which a custodial fund is expected to hold certain resources for three months or less. When this is the case, such resources—grouped together if there are multiple sources of assets that are similar in nature—may be reported with an aggregated total for additions (such as property taxes collected for other governments) and another aggregated total for deductions (as in property taxes distributed to other governments).[15]

In short, some governments have changed the name of agency funds on their financial statements but, not having fully integrated the reporting differences introduced by GASB 84, have continued to report them like agency funds—hence they are "secret agents."

1 ACFR is short for annual comprehensive financial report, a name that has been proposed by the Governmental Accounting Standards Board (GASB) to replace the current name, comprehensive annual financial report. Please see GFOA's website https://www.gfoa.org/eta for an explanation of our End the Acronym initiative to see why this we are not using the common four-letter acronym for the current name of the report.

2 GASB Cod. Sec. 1300 "Fund Accounting," paragraph .716-14

3 GASB *Codification of Governmental Accounting and Financial Reporting Standards 2020-2021* (Cod.), Section (Sec.) 1300 "Fund Accounting," paragraphs .716-10 and .716-13

4 GASB Cod. Sec. 2200, "Comprehensive Annual Financial Report," paragraph .197.

5 GASB Cod. Sec. 1300.115.

6 If multiple external investment pools are administered by the same government, all should be combined into a single external investment pool column, so that the custodial fund classification should contain a maximum of two separate columns (GASB Cod. Sec. 2200.759-5).

7 GASB Cod. Sec. 2200.208e.

8 Agency funds might also have reported deferred inflows of resources and deferred outflows of resources under certain circumstances.

9 Pension and other postemployment benefit trusts follow separate, although similar, requirements.

10 GASB Cod. Sec. 1300.135.

11 GASB Cod. Sec. 1300.134b.

12 If, such as in the case of property taxes levied for recipient government's next fiscal year, the taxes receivable relate to revenue of future periods, a deferred inflow of resources would also be reported in the custodial fund that reports the taxes receivable. If not deferred, the taxes receivable would, in most cases, be immediately payable to the ultimate recipient government, although it is possible that some further action would be required for the collecting government to be compelled to disburse resources (GASB Cod. Sec. 1600, "Basis of Accounting," paragraph .138).

13 "Separate display of (a) investment earnings, (b) investment costs (including investment management fees, custodial fees, and all other significant investment-related costs), and (c) net investment earnings (investment earnings minus investment costs)" is required (GASB Cod. Sec. 2200.199).

Michele Mark Levine *is the director of GFOA's Technical Services Center.*