



Monthly Newsletter

June 2017

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➤ **New accounting software features.**

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New accounting software features.

As a result of the new accounting software that California West is using, we have chosen to take a step back to evaluate many of the policies and practices that have served us well for many years. For the most part, we are happy with our existing practices and will continue those practices. However, we have made a few changes, some of which are as follows:

- **Date range reporting** - Our new accounting software generates financial reports for a date range rather than for a "post month." For example, on your financial statements this month you will see that the date range is from May 19, 2017 through June 27, 2017.

Previously, we would have called this entire period the "June period." Now, the actual dates of the period will appear on your financial statement. Next month the period will begin on June 28.

- **Prepaid rent will be held back by default** - Previously, the default setting for our accounting software was to distribute prepaid income to clients in the month it was received.

One problem with this approach is that tenants sometimes prepay in strange and confusing amounts. Another problem arises when a tenant prepays one month and uses the resulting credit several months later. When that happens, our clients will sometimes forget that they received more money previously and will be caught by surprise when they receive no income in a later month.

The new default setting is to hold prepaid money in our trust account and to treat that money as a liability, similar to a security deposit, until such time as the money actually becomes due. Just as with a security deposit, we can still override the default setting and distribute the money directly to a client. However, if we do override that default setting and distribute the prepaid income to a client, it will be with the express understanding that the client is receiving prepaid income and that will reduce future income.

- **Owner Statement report replaces Income Register and Expense Distribution reports** - The Owner Statement report replaces our previous Income Register and Expense Distribution reports and becomes our primary financial report. The Owner Statement is a single report with a running balance that shows all receipts and charges that took place during a reporting period. Some of our clients were already receiving this report as part of their monthly financial reports. One huge advantage with this new report is that it does not truncate the description of what was done for repairs, so you can more easily understand what a particular charge is for.
- **Savings Account Balance & Tenant Deposit Liability report replaces Asset & Liability report** - Previously, we would report security deposit and savings account balances on a report that we called an Asset & Liability report.

The Cash Flow report is still the best report to hand to your accounting professional at the the end of the year for tax reporting purposes.

This report now has a different name, looks slightly different, and includes detailed transaction data but is otherwise very similar. The biggest difference is that the new report does not list operating cash. Operating cash still appears on the Cash Flow report and also on the Owner Statement.

- **Cash Flow report is mostly the same as before** - The Cash Flow report is still the best report to hand to your tax professional at the the end of the year since it has a year to date column and the expenses are categorized by type.

That said, please note that there is one “quirk” with this report. In the fiscal year to date column, beneath Net Income, there is a category for “Other Items.” These Other Items include such things as your owner withdrawals and tenant deposit receipts.

The “quirk” is that the fiscal year to date column for these Other Items is not really a fiscal year to date calculation. Instead, the sums that appear in the fiscal year to date column for the Other Items is really from the beginning of time. This problem will go away next year and should not matter when preparing your taxes because these are not income or expense accounts. This was necessary so that we could bring over accurate financial information from the previous system.

We will make sure to include a note at the end of the year for your tax professionals so they do not get confused when looking at this report.

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