

**Manual of Accounting and Financial Reporting for
Pennsylvania Public Schools**

CHAPTER 8
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Chapter 8

Permanent Funds

**** Updated 1/3/05 ****

Permanent Funds account for the trust activities available to finance school operations only. Some scholarship funds may fit this new fund classification.

PERMANENT FUNDS

❖ **Nature And Purpose**

Permanent Funds should be used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support your school's programs, i.e., for the benefit of your school or its citizenry. Do **not** include resources that require your school to use the principal or earnings for the benefit of *individuals, private organization or other government* as a Permanent fund type. These resources must be accounted for as Private-purpose trust funds. Private-purpose trust funds are fiduciary funds not governmental funds.

An example of a Permanent fund is a donation by a private citizen that allows for the earnings on the donation to be used for band activities.

❖ **Basis Of Accounting And Measurement Focus**

Permanent funds are classified as Governmental funds. Permanent fund financial statements should be prepared using the current financial resources measurement focus and the modified accrual basis of accounting.

❖ **Revenue Recognition**

Revenue should be recognized when all eligibility requirements have been met. These eligibility requirements include: required characteristics of recipients, time requirements, reimbursements and contingencies. Cash received before all eligibility requirements are met should be recorded as an advance, not as revenue.

Pledges of cash and other assets should be recorded as revenue when: all eligibility requirements are met (and the promise can be verified and measurable) and the asset is considered available using the modified accrual basis of accounting criteria.

Chapter 8

Permanent Funds

8.2