3.6 **Revenues**

3.6.7 **Impact Fees**

3.6.7.10 Impact fees are charges assessed by local governments against new development projects that attempt to recover the cost incurred by government in providing the public facilities required to serve the new development. Impact fees are only used to fund facilities, such as roads, schools, and parks, that are directly associated with the new development. They may be used to pay the proportionate share of the cost of public facilities that benefit the new development; however, impact fees cannot be used to correct existing deficiencies in public facilities. In Washington, impact fees are authorized under the *Growth Management Act* (GMA) (RCW 82.02.050, RCW 82.02.100), as part of "voluntary agreements" under RCW 82.02.020, under the *Local Transportation Act* (RCW 39.92.040), and as mitigation for impacts under the *State Environmental Policy Act* (SEPA) (Chapter 43.21C RCW). GMA impact fees are only authorized for public streets and roads; publicly owned parks, open space, and recreation facilities; school facilities; and fire protection facilities in jurisdictions that are not part of a fire district.

3.6.7.20 The impact fees transactions are subject to the GASB Statement 33, *Accounting and Financial Reporting for Nonexchange Transactions*.

Revenue Recognition

3.6.7.30 Revenues (*Capital Contributions*) should be recognized when the local government has an enforceable legal claim to the fee. Normally the enforceable claim occurs when the local government receives the fee payment. However, recognition will be delayed if the government has a refund policy requiring return of the fee to the developer, if they do not perform the project. When a developer has a right to a refund, because the project is not performed, the revenue should be classified as a deferred inflow until the project commences.

3.6.7.40 Revenue recognition should not be delayed because of the statutory requirement to return unspent funds after a time period. The statutory provision requiring unused impact fees to be returned to developers is a future transaction. This transaction should not be booked until the time period has been met. When the statutory time limit is up, the unspent impact fees should be recorded as liabilities.

3.6.7.50 Impact fees should not be accounted for in an agency fund.

3.6.7.60 Local governments are required to use these contributions for specific purposes (purpose restrictions); therefore, the government should report the resulting net position as *restricted* until they are used.

Asset Recognition

3.6.7.70 The local government should recognize accounts receivable in the same period in which revenues are recognized.