

Best Practices – Budgets: Do I Need One?

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Yes, if a statutory or contractual requirement exists to have one, then you will need a budget.

Budgets can be an extremely valuable management tool if used properly.

Budgets may be a report required by the Texas Water Development Board (TWDB) that annually can be sent to Financial Compliance:

fimfinance@twdb.texas.gov

There are practical and perhaps contractual (legal) reasons to have an annual budget.

Some districts and other entities may have statutory requirements to prepare an annual budget and report actual results with the budget in the annual audit.

To make a budget useful, actual results should be compared with an approved budget periodically at least quarterly, and most likely monthly.

The monthly comparison of actual results against the planned budget should be very helpful in assuring that adequate resources exist to pay obligations. Budget results that indicate unplanned or undesirable results may indicate a need for management to review expenditure results, and or to increase revenues to a more adequate level.

If budgets are substantially different than actual results, management review may indicate a need to adjust the budget (reallocate revenues or expenditures) during the year.

Legal requirements, if applicable, may require that budgets be adopted at a “breakeven” level or better. Adopting budgets with a starting deficit should be avoided if at all possible.