The annual budget is a community's primary policy statement and establishes the priorities of government. The most effective budget process follows a formal calendar that begins in the fall of each year with revenue and expenditure projections, also known as a financial forecast. Moving forward, major milestones in the process often include these components:

- A joint meeting of the selectmen, finance committee, and school committee to review revenue projections and reach consensus on overall expenditure levels, use of reserves, and allocation of resources generally
- Distribution of budget guidelines to department managers so they can begin to prepare their appropriation requests
- Deadlines for submission of departmental appropriation requests and for preparation of a working, or draft, budget document
- Completion of meetings with department managers to review requests
- Adjustments to revenue projections
- Formulation of the initial budget recommendation by the town manager/administrator, finance director, or finance committee (depending on government structure)
- Budget approval by the board of selectmen in its capacity as the town’s chief policymaker
- Budget review by the finance committee with a deadline to ensure the printing and distribution of the town meeting warrant in sufficient time for town meeting members and residents

These steps all culminate in the presentation of an annual budget recommendation to town meeting. Throughout the process, decision makers should recognize and adhere to formal financial policies, such as those guiding the use of free cash and stabilization reserve funds and establishing debt levels.

The budget’s layout or format should be carefully considered since it tells town meeting the level of detail being voted on. It reflects a decision on the degree of management flexibility the town chooses to give department heads because it allows or restricts their ability to transfer money between budget line items without town meeting approval.

Finally, the budget adopted by town meeting should be closely monitored throughout the year. This involves reviewing financial data to verify that expenditures are consistent with town meeting votes, line items are not overspent, and receipts are tracking in line with expected results. Monitoring actual performance against the original budget can reveal problems early and give policymakers and managers time to take corrective actions to avoid potential deficits.