



COUNCIL REPORT

DATE: December 16, 2025

CATEGORY: Consent

DEPT.: Finance and Administrative Services

TITLE: **Accept and File Fiscal Year 2024-25
Annual Comprehensive Financial Report
and Related Auditor Reports**

RECOMMENDATION

Accept and file the following reports pertaining to Fiscal Year 2024-25: (1) City of Mountain View's Annual Comprehensive Financial Report with Independent Auditor's Report (Attachment 2 to the Council report); (2) Article XIII-B Appropriations Limit Agreed-Upon Procedures Report (Attachment 3 to the Council report); and (3) Report to the City Council—Required Communications (Attachment 4 to the Council report).

BACKGROUND

Section 1106 of the City Charter and Council Policy B-6 require an independent certified public accountant, also called an independent auditor, to audit the City's financial records at least on an annual basis. Badawi & Associates (Badawi) serves as the City's independent auditor. On December 2, 2025, Ahmed Badawi of Badawi presented the results of the annual audit of the City's financial records, along with their observations, conclusions, and findings, to the Council Finance Committee (CFC). A copy of the CFC staff report is included as Attachment 5.

The presentation provided an overview of the various components of the Annual Comprehensive Financial Report (ACFR), including highlights from the Independent Auditor's Report, Management's Discussion and Analysis, Notes to the Financial Statements, and other information required by auditing standards to be communicated to the City's governing body. The ACFR is included in this report as Attachment 2.

It was noted that the auditor issued an unmodified opinion—the highest level of assurance—and reported no conflicts or findings as part of this year's audit. The CFC discussed the audit procedures and results and recommended that the City Council accept and file the ACFR as presented at the December 16, 2025, Council meeting.

Copies of these documents are available for public review at the Finance and Administrative Services Department's lobby on the second floor of City Hall.

ANALYSIS

The City compiles an ACFR which is used by a variety of external organizations, including the State of California, credit rating agencies, and other entities that monitor or rate the City's bond issuances. Action taken tonight will formally accept and file the ACFR and related auditor reports, thereby ensuring compliance with grant and statutory requirements and providing timely and transparent financial information to investors and the public.

It is important to emphasize that the ACFR is prepared in accordance with Generally Accepted Accounting Principles (GAAP) and should not be directly compared to the City's budget documents. The net position and ending balances reported in the ACFR reflect GAAP-based accounting measurements and do not represent the City's available resources for budgeting purposes.

A detailed analysis of the General Operating Fund (GOF) audited results compared to the Budget is included as Attachment 1. For Fiscal Year 2024-25, the City ended the fiscal year with a GOF balance of \$10.1 million. This amount is \$0.5 million lower than the \$10.6 million Estimated Operating Balance projected in June 2025 when the Recommended Budget was prepared, and \$10.0 million higher than the Adjusted Budget, which includes Council-approved adjustments made after adoption of the original budget. The positive variance from the Adjusted Budget is primarily due to operating revenues coming in \$9.5 million higher than anticipated and operating expenditures being \$6.4 million lower than expected, partially offset by \$5.9 million in year-end adjustments.

This analysis also presents the GOF balance allocations as adopted by Council in the Fiscal Year 2024-25 Adopted Budget. In recent years, the allocations have been used to fund various City needs, including limited-period expenditures, infrastructure investments, the Compensated Absences Reserve, long-term liabilities, and contributions to the General Fund Reserve.

Report on Compliance with Article XIII-B—Appropriations Limit

Article XIII-B of the State Constitution, also known as the Gann Limit, established an annual appropriations limit for governmental entities and specified certain indicators to be used in calculation of the annual appropriations limit increase. The appropriations limit calculation for Fiscal Year 2024-25 is \$378,697,009. The appropriations subject to limitation total is \$138,771,739; accordingly, the City is significantly under the Constitutional limit on appropriations funded from taxes and, therefore, in compliance with the Gann Limit. The Gann Limit report is included as Attachment 3.

Report to the City Council—Required Communications

As part of the City’s annual financial audit, Badawi reviews and comments on the City’s internal controls over financial reporting for the purposes of auditing the financial statements. No material weaknesses in the City’s internal controls were identified. In addition, the report provides guidance to City staff on opportunities to enhance recordkeeping and operations and may include advisory information regarding upcoming accounting or reporting requirements that could affect future financial reporting.

The final section of this report contains the required communications from Badawi, which provide timely observations arising from the audit that are relevant to Council’s oversight responsibilities. It was also noted that there were no disagreements with management and no audit adjustments proposed by MGO that would have had a significant effect on the financial statements. The Required Communications Report is included as Attachment 4.

FISCAL IMPACT

Accepting the ACFR and related reports from the independent auditor does not have a fiscal impact to the City.

LEVINE ACT

California Government Code Section 84308 (also known as the Levine Act) prohibits city officials from participating in any proceeding involving a “license, permit, or other entitlement for use” if the official has received a campaign contribution exceeding \$500 from a party, participant, or agent of a party or participant within the last 12 months. The Levine Act is intended to prevent financial influence on decisions that affect specific, identifiable persons or participants. For more information see the Fair Political Practices Commission website: www.fppc.ca.gov/learn/pay-to-play-limits-and-prohibitions.html

Please see below for information about whether the recommended action for this agenda item is subject to or exempt from the Levine Act.

EXEMPT FROM THE LEVINE ACT

☒ General policy and legislative actions

ALTERNATIVES

1. Decline to accept the ACFR and related auditor reports, which would delay compliance with audit, grant, and statutory reporting requirements.
2. Provide other direction to staff.

PUBLIC NOTICING—Agenda posting.

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- Attachments:
1. Analysis of Fiscal Year 2024-25 Audited Financial Results for the General Operating Fund
 2. Annual Comprehensive Financial Report and Independent Auditor's Reports for the year ended June 30, 2025
 3. Article XIII-B Appropriations Limit
 4. Report to the City Council—Required Communications
 5. [Council Finance Committee Staff Report Dated December 2, 2025](#)