

**FISCAL YEAR 2025
PROPOSITION A AND PROPOSITION C
REVENUES AND EXPENDITURES AUDIT
WITH
INTERNAL CONTROLS AND COMPLIANCE REPORT**

P R E S E N T A T I O N T O

**PROPOSITIONS A AND C INDEPENDENT CITIZEN'S ADVISORY AND
OVERSIGHT COMMITTEE**

MARCH 4, 2026



*2355 Crenshaw Blvd., Suite 150
Torrance, CA 90501
PH 310.792.4640*

Contents

- Auditor and LACMTA Management Responsibilities
- Summary of Audit Results
- Financial Highlights
- Required Communications
- Management Letter Comments

Responsibilities

- LACMTA Management Responsibilities:
 - Preparation of the Schedules of Proposition A and Proposition C Revenues and Expenditures.
 - Design, implementation and maintenance of internal control – free from material misstatement, whether due to fraud or error.
- Auditor's Responsibilities:
 - To express an opinion on the fair presentation on the Schedules of Proposition A and Proposition C Revenues and Expenditures based on our audit.
 - Express an opinion on compliance with the *MTA Reform Act of 1998, Ordinance No. 16 (Proposition A) and Ordinance No. 49 (Proposition C)*.

Summary of Audit Results

- Schedules of Proposition A and Proposition C Revenues and Expenditures Audit
 - Unmodified opinion
- No internal control material weaknesses or significant deficiencies over financial reporting were identified.
- No significant internal control deficiencies over compliance were identified.
- LACMTA complied with the *MTA Reform and Accountability Act of 1998, Ordinance No. 16 (Proposition A) and Ordinance No. 49 (Proposition C)*

Financial Highlights

Proposition A

- Sales tax revenue decreased by \$13.0 million compared to prior year (1.2% change from prior year). The decrease is mainly due to less consumer spending during FY 2024-25.
- Actual expenditures decreased by \$4.7 million compared to prior year (1.1% change from prior year) due primarily to lower sales tax revenue collected.
- Transfers out decreased by \$171.7 million, a 26.0% decrease from the previous year, due to completion of major capital projects such as: 1) P3010 LRV project; 2) HR5000 heavy rail vehicle procurement; 3) Rail-to-rail active transportation projects and 4) P2550 LRV mid-life overhaul project.
- Actual sales tax revenue was less than budgeted by \$76.0 million.
- Actual expenditures were less than budgeted by \$18.8 million mainly due to lower allocations to cities/agencies on local return subsidies brought by lower sales tax revenue collected during FY 2024-25.
- Actual transfers out were less than budgeted by \$38.8 million mainly due to lower transfers to Enterprise Fund for rail operations and capital projects.
- Proposition A fund at June 30, 2025 had an excess of revenues and other financing sources over expenditures and other financing uses of \$232.9 million, increasing Proposition A fund balance from \$669.7 million to \$902.6 million at June 30, 2025.

Financial Highlights (Continued)

Proposition C

- Sales tax revenue decreased by \$13.0 million compared to prior year (1.2% change from prior year). The decrease is mainly due to lower consumer spending during FY 2024-25.
- Expenditures increased by \$49.0 million compared to prior year (7.6% change from prior year). Increase was mainly due to increase in local transportation subsidies and higher project expenditures for the Regional Integration Intelligent System, Freeway Service Patrol and increase allocation for the LIFE program.
- Transfers in decreased by \$138.3 million compared to prior year (60.1% change from prior year) due to lower transfers received from other funds for the Regional Bikeways, Commuter Rail operations, Regional Surface Transportation, Local Traffic System and MTA-sponsored CFP/PC25 Projects.
- Transfers out decreased by \$275.0 million, a 30.8% decrease from the previous year, lower actual capital billing transfers for Operations Transportation and Maintenance, lower transfers for Rail Operations - Lines A, B and E as well as for certain capital projects (Regional Bikeways and Sepulveda Transit Corridor).
- Actual sales tax revenue was less than budgeted by \$76.0 million.

Financial Highlights (Continued)

Proposition C

- Actual expenditures were \$116.7 million below budget mainly due to lower-than-expected spending on administration and other transportation projects. Actual transportation subsidies for local cities programs (Local Return subsidies, Regional Surface Transportation, Local Traffic System, Transportation Demand Management) and Transit Operators (Commuter Rails, Prop C Discretionary and Transit Security) also came in under budget.
- Transfers in were \$35.6 million below budget, primarily due to lower-than-expected revenue billings for Regional Bikeways, Regional Surface Transportation and Local Traffic System programs.
- Transfers out were below budget by \$72.5 million primarily because anticipated allocations for certain projects did not occur as planned. Allocations for the Regional Tap and Microtransit operations came in lower than anticipated.
- Proposition C fund at June 30, 2025 had a deficiency of revenues and other financing sources over expenditures and other financing uses of \$69.5 million, decreasing Proposition C fund balance from \$905.1 million to \$835.6 million at June 30, 2025.

Required Communications

with Those Charged with Governance

Items to be Communicated

Auditor's Responsibilities Under Generally Accepted Auditing Standards

- To express an opinion on the Schedules of Proposition A and Proposition C Revenues and Expenditures.
- To provide reasonable, not absolute, assurance of detecting material misstatements.
- To gain a basic understanding of the internal control policies and procedures to design an effective and efficient audit approach.
- To inform LACMTA of any illegal acts that we become aware of.
 - None

Required Communications (Continued)

- Adoption/Change in accounting policies
 - None
- Significant or unusual transactions
 - None
- Alternative treatments discussed with management
 - None
- Significant issues discussed with management
 - None
- Difficulties encountered in performing the audit
 - We encountered no significant difficulties in dealing with management in performing and completing the audit.

Required Communications (Continued)

- Management consultations with other independent accountants
 - To our knowledge, there were no such consultations with other accountants.
- Discussions held prior to retention
 - No major issues were discussed as a condition to our retention.
- Disagreements with management
 - Professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the Schedules of Proposition A and Proposition C Revenues and Expenditures or the auditor's report.
 - No such disagreement occurred.
- Management representation
 - We requested certain representations from management which are included in the management representation letter dated December 2, 2025.

2025 Management Letter Comments

- There are no management letter comments.

Audited Financial Statements for Proposition A and Proposition C Special Revenue Funds

- Included in LACMTA's June 30, 2025 Annual Comprehensive Financial Report (ACFR)

BCA Watson Rice LLP

Audit Engagement Team

- Marialyn Labastilla, Engagement Partner (mstabastilla@bcawr.com)
- Helen Chu, Quality Control Partner (hchu@bcawr.com)
- Ihab Fakhreddine, Audit Manager (ifakhreddine@bcawr.com)
- Kristen Reyes, Senior Auditor (kreyes@bcawr.com)

QUESTIONS AND ANSWERS