

LOS ANGELES METROPOLITAN TRANSIT AUTHORITY

REPORT ON COMPUTATION OF ADJUSTED PURCHASE PRICE
FOR OPERATING PROPERTIES OF LOS ANGELES TRANSIT LINES,
UNDER AGREEMENT OF JULY 24 1956 AS AMENDED

PRICE WATERHOUSE & CO.

PRICE WATERHOUSE & CO.

530 WEST SIXTH STREET

LOS ANGELES 14

June 26 1958

Los Angeles Metropolitan Transit Authority
1060 South Broadway
Los Angeles, California

In accordance with your instructions, we have examined the computation of the adjusted purchase price payable by Los Angeles Metropolitan Transit Authority for the operating properties of Los Angeles Transit Lines, under a letter agreement dated July 24 1956, as ratified and amended September 12 1957. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Approximately \$136,000 of vehicle license fees have been included in the adjusted purchase price, representing an apportionment of Los Angeles Transit Lines' prepayments under Section III(2)(a) of the amended purchase agreement. It is our understanding that the Authority is attempting to obtain a refund of a portion of such license fees and that adjustments to the adjusted purchase price relating to such refund have been made the subject of a separate agreement between Los Angeles Transit Lines and the Authority.

The amount of sales taxes payable by Los Angeles Transit Lines as a result of the sale to the Authority has not yet been finally determined. The amount of \$357,500 shown on the accompanying statement is a preliminary estimate only. It is our understanding that adjustments to the adjusted purchase price relating to such sales taxes have been made the subject of a separate agreement between Los Angeles Transit Lines and the Authority.

Subject to final determination of the matters referred to in the preceding two paragraphs, it is our opinion that the accompanying statements present fairly the computation of the adjusted purchase price of \$21,490,491, in accordance with the provisions of the amended purchase agreement.

Price Waterhouse & Co.

LOS ANGELES METROPOLITAN TRANSIT AUTHORITY
ACQUISITION OF LOS ANGELES TRANSIT LINES PROPERTIES
COMPUTATION OF PURCHASE PRICE

	<u>Preliminary settlement</u>	<u>Adjusted amounts</u>
<u>Basic purchase price</u>	<u>\$27,280,000</u>	<u>\$27,280,000</u>
<u>Additions to basic price:</u>		
Cost of physical assets acquired from October 1 1954 to March 2 1958* (Exhibit II)	\$ 690,600	\$ 660,698
Sales taxes paid or payable by Los Angeles Transit Lines in connection with the sale of its properties	357,500	357,500
Market price (plus accrued interest) at March 2 1958 of U. S. Treasury bonds transferred to the Authority	378,300	380,110
Apportionment of prepayments, accruals, etc. (Exhibit III)	<u>447,000</u>	<u>463,038</u>
	<u>\$ 1,873,400</u>	<u>\$ 1,861,346</u>
<u>Deductions from basic price:</u>		
Depreciation allowance	\$ 6,981,000	\$ 6,980,968
Decrease in materials and supplies inventory between October 1 1954 and March 2 1958 (Exhibit IV)	40,800	97,594
Net realization from disposition of certain physical assets, other than materials and supplies, between October 1 1954 and March 2 1958 (Exhibit V)	269,700	305,652
Unredeemed token account balance at March 2 1958	<u>257,900</u>	<u>266,641</u>
	<u>\$ 7,549,400</u>	<u>\$ 7,650,855</u>
<u>Adjusted purchase price</u>	<u>\$21,604,000</u>	<u>\$21,490,491</u>

*All references to March 2 1958 are inclusive.

LOS ANGELES METROPOLITAN TRANSIT AUTHORITY
ACQUISITION OF LOS ANGELES TRANSIT LINES PROPERTIES

ADDITION TO BASIC PURCHASE PRICE,
 REPRESENTING COST OF PHYSICAL ASSETS ACQUIRED
FROM OCTOBER 1 1954 TO MARCH 2 1958

Total additions to fixed assets during the period	\$2,968,518
<u>ADD</u> - Los Angeles Transit Lines' share of furniture and fixtures acquired by Joint Pole Committee	<div style="border-top: 1px solid black; display: inline-block; width: 100px;"></div> 696
	<u>\$2,969,214</u>
 <u>DEDUCT:</u>	
Cost of 100 General Motors diesel buses excluded under terms of the purchase agreement	\$2,277,425
Amounts billed to other utilities as partial reimbursement of costs incurred by Los Angeles Transit Lines in installation of jointly owned poles	19,748
Amount received from the State of California as reimbursement of costs incurred in relocation due to freeway construction	<div style="border-top: 1px solid black; display: inline-block; width: 100px;"></div> 11,343
	<u>\$2,308,516</u>
Total costs allowable as an addition to basic purchase price (Exhibit I)	<div style="border-top: 1px solid black; border-bottom: 3px double black; display: inline-block; width: 100px;"></div> \$ 660,698

LOS ANGELES METROPOLITAN TRANSIT AUTHORITYACQUISITION OF LOS ANGELES TRANSIT LINES PROPERTIESNET ADDITION TO BASIC PURCHASE PRICE, REPRESENTING
APPORTIONMENT OF PREPAYMENTS, ACCRUALS, ETC.Additions to the basic purchase price:

Prepayments -	
Insurance	\$161,266
Taxes and licenses	177,058
Rent	1,691
Deposits -	
Insurance	150,000
Joint Pole Committee	1,200
Other	309
Amounts collectible by the Authority for transportation of mail carriers prior to March 3 1958	15,562
Accounts receivable from employees, to be collected by the Authority	6,169
February 1958 rental income collected by the Authority	594
	<u>\$513,849</u>

Deductions from the basic purchase price:

Los Angeles Transit Lines payroll deductions to be remitted by the Authority	\$ 14,577
Rental income allocable to March 1958 collected by Los Angeles Transit Lines	1,944
Second instalment of 1957-58 property taxes, to be paid by the Authority	476
Sundry payments made by the Authority for the account of Los Angeles Transit Lines	3,818
Estimated amount of school children's tickets sold prior to March 3 1958 and outstanding at that date	28,002
Miscellaneous deposits	<u>1,994</u>
	<u>\$ 50,811</u>
<u>Net addition to basic purchase price (Exhibit I)</u>	<u>\$463,038</u>

LOS ANGELES METROPOLITAN TRANSIT AUTHORITY
ACQUISITION OF LOS ANGELES TRANSIT LINES PROPERTIES
 DEDUCTION FROM BASIC PURCHASE PRICE, REPRESENTING
 DECREASE IN MATERIALS AND SUPPLIES INVENTORY
BETWEEN OCTOBER 1 1954 AND MARCH 2 1958

Materials and supplies inventory per books at:

October 1 1954	\$694,032
March 2 1958	<u>652,984</u>
Net decrease	\$ 41,048

Add:

Adjustment required to place pricing of scrap rail on a consistent basis at October 1 1954 and March 2 1958	56,445
February 1958 inventory issues not recorded at March 2 1958	<u>101</u>
Decrease in materials and supplies inventory, as adjusted (Exhibit I)	<u>\$ 97,594</u>

LOS ANGELES METROPOLITAN TRANSIT AUTHORITY
ACQUISITION OF LOS ANGELES TRANSIT LINES PROPERTIES

DEDUCTION FROM BASIC PURCHASE PRICE, REPRESENTING
NET REALIZATION FROM DISPOSITION OF CERTAIN
PHYSICAL ASSETS OTHER THAN MATERIALS AND SUPPLIES
BETWEEN OCTOBER 1 1954 AND MARCH 2 1958

Proceeds from sales of land, less expense of sale:

Virgil Avenue	\$180,000
Division 2	75,000
Westlake substation	17,888
Larchmont terminal	9,956
Proceeds from sales of equipment	26,532
Fare boxes etc. removed from service and returned to materials and supplies inventory	3,010
	\$312,386
<u>Deduct</u> - Federal income and state franchise taxes paid on net gains reported on above sales	6,734
Net realization from disposition of physical assets between October 1 1954 and March 2 1958, excluding items specifically exempted by purchase agreement (Exhibit I)	\$305,652