

PITTSBURGH & WEST VIRGINIA RAILROAD

Form 10-K/A

March 31, 2008

SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

FORM 10-K

Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the fiscal year ended December 31, 2007  
Commission File Number 1-5447

PITTSBURGH & WEST VIRGINIA RAILROAD  
(Exact name of registrant as specified in its charter)

Pennsylvania (State of organization) 25-6002536 (I.R.S. Employer Identification No.)

#2 Port Amherst Drive, Charleston, WV (Address of principal executive offices) 25306-6699 (Zip Code)

Registrant's telephone number, including area code (304) 926-1124

Securities Registered Pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Shares of beneficial interest, without par value	American Stock Exchange

Securities Registered Pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes X No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act Yes No X

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirement for the past 90 days: Yes X No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer,



Audited Financial Statements

Pittsburgh & West Virginia Railroad

Years Ended December 31, 2007 and 2006

TABLE OF CONTENTS

	Page
Report of Independent Registered Public Accounting Firm	F-2
Financial Statements:	
Balance Sheet	F-3
Statement of Operations	F-4
Statement of Changes in Shareholders' Equity	F-5
Statement of Cash Flows	F-6
Notes to Financial Statements	F-7 - F-9

F-1

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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To the Trustees and Shareholders  
Pittsburgh & West Virginia Railroad

We have audited the accompanying balance sheet of Pittsburgh & West Virginia Railroad, a Pennsylvania business trust (the Trust), as of December 31, 2007 and 2006, and the related statements of operations, changes in shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2007. These financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. The company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pittsburgh & West Virginia Railroad as of December 31, 2007 and 2006, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2007, in conformity with U.S. generally accepted accounting principles.

s/ Gibbons & Kawash

Charleston, West Virginia  
March 24, 2008

F-2

PITTSBURGH & WEST VIRGINIA RAILROAD

BALANCE SHEET

December 31, 2007 and 2006

ASSETS	2007	2006
Cash	44,270	49,389
Net investment in capital lease	\$ 9,150,000	\$ 9,150,000
	\$ 9,194,270	\$ 9,199,389

LIABILITIES AND SHAREHOLDERS' EQUITY

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Shareholders' equity:

Shares of beneficial interest, without par value:			
Authorized number of shares - unlimited; issued and outstanding - 1,510,000 shares at December 31, 2006 and 2005	9,145,359		9,145,359
Retained earnings	48,911		54,030
	9,194,270		9,199,389

The accompanying notes are an integral part  
of these financial statements.

F-3

PITTSBURGH & WEST VIRGINIA RAILROAD

STATEMENT OF OPERATIONS

Years Ended December 31, 2007, 2006, 2005

	2006	2005	2004
Interest income from capital lease	\$ 915,000	\$ 915,000	\$ 915,000
Less general and administrative expenses	134,919	125,804	134,763
Net income	\$ 780,081	\$ 789,196	\$ 780,237
Per share:			
Net income	\$ 0.52	\$ 0.52	\$ 0.52

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The accompanying notes are an integral part  
of these financial statements.

F-4

PITTSBURGH & WEST VIRGINIA RAILROAD  
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY  
Years Ended December 31, 2007, 2006, and 2005

	Shares of Beneficial Interest	Retained Earnings
Balance at December 31, 2004	\$ 9,145,359	\$ 54,997
Net income	-	780,237
Cash dividends paid (\$.52 per share)	-	(785,200)
Balance at December 31, 2005	9,145,359	50,034
Net income	-	789,196
Cash dividends paid (\$.52 per share)	-	(785,200)
Balance at December 31, 2006	9,145,359	54,030
Net income	-	780,081
Cash dividends paid (\$.52 per share)	-	(785,200)
Balance at December 31, 2007	\$ 9,145,359	\$ 48,911

The accompanying notes are an integral part  
of these financial statements.

F-5

PITTSBURGH & WEST VIRGINIA RAILROAD  
STATEMENT OF CASH FLOWS  
Years Ended December 31, 2007, 2006 and 2005

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	2007	2006	2005
Cash flows from operating activities:			
Net income	\$ 780,081	\$ 789,196	\$ 780,237
Adjustments to reconcile net income to net cash provided by operating activities:			
Decrease in accounts payable and accrued liabilities	-	(8,950)	-
Net cash provided by operating activities	780,081	780,246	780,237
Cash flows used in financing activities			
Dividends paid	(785,200)	(785,200)	(785,200)
Net increase (decrease) in cash	(5,119)	(4,954)	(4,963)
Cash, beginning of year	49,389	54,343	59,306
Cash, end of year	\$ 44,270	\$ 49,389	\$ 54,343

The accompanying notes are an integral part of these financial statements.

F-6

PITTSBURGH & WEST VIRGINIA RAILROAD

NOTES TO FINANCIAL STATEMENTS

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Pittsburgh & West Virginia Railroad (the Trust) is a business trust organized under the laws of Pennsylvania on February 18, 1967, for the purpose of leasing railroad properties to Norfolk Southern Corporation. The leased properties consist of a railroad line 112 miles in length, extending from Connellsville, Washington, and Allegheny Counties in the Commonwealth of Pennsylvania, Brooke County in the State of West Virginia, and Jefferson and Harrison Counties in the State of Ohio, to Pittsburgh Junction, Harrison County, State of Ohio. There are also branch lines that total 20 miles in length located in Washington County and Allegheny

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County in Pennsylvania and Brooke County, West Virginia. The lease provides the Trust's source of revenue, which is received in quarterly installments.

### Revenue Recognition

Interest on the capital lease is earned based on an implicit rate of 10% over the life of the lease which is assumed to be perpetual.

### Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

## 2 - CAPITAL LEASE

Under the terms of a lease which became effective October 16, 1964 (the "lease"), Norfolk Southern Corporation (formerly Norfolk and Western Railway Company) (Norfolk Southern) - (the "lessee") leased all of Pittsburgh & West Virginia Railroad's (the "Trust") real properties, including its railroad lines, for a term of 99 years, renewable by the lessee upon the same terms for additional 99-year terms in perpetuity. The lease provides for a cash rental of \$915,000 per annum for the current 99 year lease period and all renewal periods. The leased properties are maintained entirely at Norfolk Southern's expense.

F-7

### PITTSBURGH & WEST VIRGINIA RAILROAD

#### NOTES TO FINANCIAL STATEMENTS

(Continued)

## 2 - CAPITAL LEASE (Continued)

Prior to 1983, the lease was accounted for as an operating lease in accordance with the Statement of Financial Accounting Standards (SFAS) No. 13, "Accounting for Leases," because the railroad assets as accounted for under "betterment accounting" were considered similar to land. Effective January 1, 1983, the Interstate Commerce Commission (ICC) changed the method of accounting for railroad companies from "betterment accounting" (which was previously used by the Trust and most railroads) to "depreciation accounting." The leased assets, under "depreciation accounting," are no longer similar to land; and, effective January 1, 1983, under the provisions of Statement No. 13, the lease is considered a capital lease and the property deemed sold in exchange for rentals receivable under the lease. The lease may be terminated by the lessee either by expiration of the initial or any renewal term, or by default of Norfolk Southern. In the event of termination, Norfolk Southern is obligated to return to the Trust all properties covered by the lease, together with sufficient cash and other assets to permit operation of the railroad for a period of one year, and to settle the noncash settlement account described in Note 3.

The Trust has determined that the lease term is perpetual based on these substantial penalties to the lessee upon nonrenewal. Accordingly,



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as of January 1, 1983, the rentals receivable of \$915,000 per annum, recognizing renewal options by the lessee in perpetuity, were estimated to have a present value of \$9,150,000, assuming an implicit interest rate of 10%.

### 3 - NONCASH RENTAL SETTLEMENT

Under the terms of the lease, a noncash settlement account is maintained to record amounts due to or due from Norfolk Southern upon termination of the lease. The amount is credited with noncash rent equivalent to: (a) the deductions allowable to the Trust, for tax purposes for depreciation, amortization or retirements of the leased properties and amortization of debt discount and expense; and (b) all other expenses of the Trust, except those incurred for the benefit of the shareholders. The settlement account is charged with the cost of capital asset acquisitions and expenses of the Trust paid for by Norfolk Southern on behalf of the Trust.

At December 31, 2007 and 2006, the noncash settlement account had a balance of \$14,933,273 and \$14,229,640, respectively, receivable from Norfolk Southern. The account will not be settled until the expiration of the lease, whether by default or nonrenewal. Because of the indeterminate settlement date of the account, no values have been reported in the accompanying financial statements for the balance of the account or the transactions affecting the balance.

F-8

## PITTSBURGH & WEST VIRGINIA RAILROAD

### NOTES TO FINANCIAL STATEMENTS (Continued)

### 4 - INCOME TAXES

The Trust was organized as a Pennsylvania business trust and has elected to be treated under the Internal Revenue Code as a real estate investment trust. As such, the Trust is exempt from Federal taxes on taxable income and capital gains to the extent that they are distributed to shareholders. In order to maintain qualified status, at least 90% of ordinary taxable income must be distributed; it is the intention of the Trustees to continue to make sufficient distributions of ordinary taxable income. Dividends distributed for the years ended December 31, 2007, 2006, and 2005, were comprised entirely of ordinary income.

### 5 - RELATED PARTY TRANSACTIONS

A Trustee of the Trust serves as Chairman and CEO of Wheeling & Lake Erie Railway Company which subleases from Norfolk Southern Corporation the right of way and real estate owned by the Trust. The Sublease is substantially similar by virtue of assignment and assumption of rights and obligations as the Lease between the Trust and Norfolk Southern Corporation. As Chairman and CEO of Wheeling & Lake Erie Railway, the Trustee exercises the rights and obligations under the Sublease to maintain the property, to operate the property, and to sell or dispose of the property not needed for ongoing operations in accordance with the provisions of the Lease and Sublease.

The Trust leases office space and equipment from a company related

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to its Chairman. Rent is paid on a month to month basis in the amount of \$1,500 per month.

### 6 - CONTINGENCY

Under the provisions of the lease, the Trust may not issue, without the prior written consent of Norfolk Southern, any shares or options to purchase shares or declare any dividends on its shares of beneficial interest in an amount exceeding the value of the assets not covered by the lease plus the annual cash rent of \$915,000 to be received under the lease, less any expenses incurred for the benefit of shareholders. At December 31, 2007, all net assets are covered by the lease.

The Trust may not borrow any money or assume any guarantees except with the prior written consent of Norfolk Southern.

F-9

### PITTSBURGH & WEST VIRGINIA RAILROAD

#### NOTES TO FINANCIAL STATEMENTS (Continued)

### 7 - SUMMARY OF QUARTERLY RESULTS (UNAUDITED)

The following presents a summary of the unaudited quarterly financial information for the years ended December 31, 2007 and 2006.

		1st Quarter		2nd Quarter		3rd Quarter		4th Quarter
Year Ended December 31, 2007								
Revenue	\$	228,750	\$	228,750	\$	228,750	\$	228,750
Net income	\$	170,873	\$	187,638	\$	209,792	\$	211,777
Net income per share	\$	0.11	\$	0.12	\$	0.14	\$	0.14
Year Ended December 31, 2006								
Revenue	\$	228,750	\$	228,750	\$	228,750	\$	228,750
Net income	\$	172,884	\$	195,426	\$	210,115	\$	210,771
Net income per share	\$	0.11	\$	0.13	\$	0.14	\$	0.14

F-10