

**Exhibit 2**

**JAMES CITY SERVICE AUTHORITY**  
(A Component Unit of the County of James City, Virginia)  
**Statements of Revenues, Expenses and Changes in Net Assets**  
Years ended June 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Operating revenues:		
Water and sewer services	\$ 8,383,600	8,027,991
Reimbursements for storm costs	—	371,538
Miscellaneous	431,550	125,528
Rental income (note 10)	195,981	169,665
Water supply proffers	634,885	147,361
Total operating revenues	<u>9,646,016</u>	<u>8,842,083</u>
Operating expenses:		
Salaries (note 6)	754,182	687,155
Fringe benefits (note 6)	270,864	229,833
Operating supplies	480,994	271,026
Maintenance of buildings and equipment	856,296	690,678
Special services (notes 9 and 10)	4,292,880	4,212,422
Utilities	592,153	431,373
Water purchases	394,426	341,726
Storm costs	—	209,444
Other	101,570	54,965
Total operating expenses	<u>7,743,365</u>	<u>7,128,622</u>
Operating income before depreciation and amortization	1,902,651	1,713,461
Depreciation and amortization	4,547,931	4,119,963
Operating loss	<u>(2,645,280)</u>	<u>(2,406,502)</u>
Nonoperating revenues (expenses):		
Water and sewer facility fees	6,130,640	4,914,512
Investment income	506,939	184,213
Gain on disposal of capital assets	24,124	1,869
Interest expense, net	(513,617)	(482,695)
Net nonoperating revenues	<u>6,148,086</u>	<u>4,617,899</u>
Income before contributions	3,502,806	2,211,397
Capital assets contributions	4,983,390	5,233,761
Changes in net assets	8,486,196	7,445,158
Net assets at beginning of year	131,359,273	123,914,115
Net assets at end of year	\$ <u>139,845,469</u>	<u>131,359,273</u>

See accompanying notes to basic financial statements.