JUNIATA VALLEY FINANCIAL CORP
Form 10-Q/A
September 15, 2005

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q/A
Amendment No. 1

(Mark One)

þ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT 1934**

For the quarterly period ended June 30, 2005

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from __________ to __________

Commission File Number __________ 000-13232 __________

Juniata Valley Financial Corp.

(Exact name of registrant as specified in its charter)

Pennsylvania	23-2235254
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
Bridge and Main Streets, Mifflintown, Pennsylvania	17059
(Address of principal executive offices)	(Zip Code)

(717) 436-8211

(Registrant s telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section13 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 requirements for the past 90 days. þ Yes o No

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). þ Yes o No

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). o Yes þ No

Indicate the number of shares outstanding of each of the issuer s classes of common stock, as of the latest practicable date.

Class	Outstanding as of September 9, 2005
Common Stock ($1.00 par value)	2,283,909 shares

JUNIATA VALLEY FINANCIAL CORPORATION
Amendment No. 1 to the Quarterly Report on Form 10-Q
For the Quarter Ended June 30, 2005
EXPLANATORY NOTE

In reliance on the extension of time that the SEC provided in its November 30, 2004 exemptive order regarding reports on internal control over financial reporting required by Item 308 of Regulation S-K, the Company filed a Form 10-K/A on May 2, 2005, to include such reports. Because the Company had not realized until February 2005 that it is an accelerated filer, the Company was not able to complete its documentation and testing of its internal controls over financial reporting in a timely manner in order to permit its independent registered public accounting firm, Beard Miller Company LLP (Beard Miller) sufficient time to perform an audit of management s assessment and an audit of effectiveness of the Company s internal control. Accordingly, Beard Miller issued a disclaimer of opinion (Disclaimed Opinion) on both management s assessment and the effectiveness of the Company s internal control over financial reporting.

In conversations with representatives of the SEC, the SEC informed the Company that it did not consider the Disclaimed Opinion to constitute an attestation report of the type required to be included in an annual report on Form 10-K. The SEC agreed, however, to permit the Company to continue to use its registration statements on Forms S-3 and S-8 and for the Company s management and directors to continue to rely on Rule 144 in connection with the public resale of Company stock, if the Company filed an amended quarterly report for the quarter ended June 30, 2005 and included in such amended report audited financial statements as of June 30, 2005, a report by management on the Company s internal control over financial reporting and an opinion by Beard Miller on management s report and on the Company s internal controls. Accordingly, the Company is filing this amended quarterly report on Form 10-Q/A.

In addition including management s report and Beard Miller s opinion on the Company s internal controls, this amended quarterly report also records a minimum pension liability as a result of reassessing our pension position as of June 30, 2005.

TABLE OF CONTENTS

PART I FINANCIAL INFORMATION

PART II OTHER INFORMATION

PART I FINANCIAL INFORMATION
Item 1 FINANCIAL STATEMENTS

JUNIATA VALLEY FINANCIAL CORP. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS

	June 30, 2005	December 31, 2004
	(In thousands, except share data)	
	(Unaudited)	
ASSETS		
Cash and due from banks	$ 11,485	$ 10,733
Interest bearing deposits with banks	91	167
Federal funds sold		3,900
Cash and cash equivalents	11,576	14,800
Interest bearing time deposits with banks	6,260	6,760
Securities available for sale	67,479	71,583
Securities held to maturity, fair value of $7,861 and $4,489, respectively	7,887	4,485
FHLB stock	1,049	1,329
Loans receivable, net of allowance for loan losses of $2,988 and $2,989, respectively	289,000	276,759
Bank premises and equipment, net	6,596	6,802
Bank-owned life insurance	8,023	7,885
Accrued interest receivable and other assets	8,190	6,355
TOTAL ASSETS	$ 406,060	$ 396,758
LIABILITIES AND STOCKHOLDERS EQUITY		
Liabilities:		
Deposits:		
Non-interest bearing	$ 46,941	$ 47,459
Interest bearing	294,197	285,183
Total deposits	341,138	332,642
Securities sold under agreements to repurchase	4,564	4,716
Short-term debt	1,500	
Long-term debt	5,000	5,000
Accrued interest payable and other liabilities	5,973	4,247
Total liabilities	358,175	346,605

Stockholders Equity:		
Preferred stock, no par value; 500,000 shares authorized; no shares issued or outstanding		
Common stock, par value $1.00 per share; authorized 20,000,000 shares; issued 2,372,913 shares	2,373	2,373
Surplus	20,488	20,386
Retained earnings	28,629	29,966
Accumulated other comprehensive income (loss)	(655)	414
Treasury stock, at cost 88,998 shares and 92,284 shares respectively	(2,950)	(2,986)
Total stockholders equity	47,885	50,153
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	$ 406,060	$ 396,758

See Notes to Unaudited Consolidated Financial Statements

4

JUNIATA VALLEY FINANCIAL CORP. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

	For the Quarter Ended June 30, 2005	For the Quarter Ended June 30, 2004	For the Six Months Ended June 30, 2005	For the Six Months Ended June 30, 2004
	(In thousands, except per share amount)			
INTEREST INCOME:				
Loans receivable	$ 4,965	$ 4,674	$ 9,726	$ 9,159
Taxable securities	482	524	968	1,082
Tax-exempt securities	168	209	334	447
Other	69	38	148	74
Total interest income	5,684	5,445	11,176	10,762
INTEREST EXPENSE:				
Deposits	1,866	1,550	3,557	3,191
Borrowings	63		129	
Total interest expense	1,929	1,550	3,686	3,191
Net interest income	3,755	3,895	7,490	7,571
PROVISION FOR LOAN LOSSES		77	28	157
Net interest income after provision for loan losses	3,755	3,818	7,462	7,414
OTHER INCOME:				
Trust department	93	99	190	236
Customer service fees	349	322	683	604
Other	262	283	521	474
Earnings on bank-owned life	67	87	138	171
insurance Gain on sale of securities		134	99	268
Total other income	771	925	1,631	1,753
OTHER EXPENSES:				
Salaries and wages	1,409	1,077	2,459	2,090
Employee benefits	400	354	786	736
Occupancy	210	199	417	409
Equipment	447	395	900	822
Director compensation	104	104	202	208
Taxes, other than income	128	128	257	257
Other	525	392	873	746
Total other expenses	3,223	2,649	5,894	5,268

INCOME BEFORE INCOME TAXES	1,303	2,094	3,199	3,899
FEDERAL INCOME TAXES	358	519	891	969
Net income	$ 945	$ 1,575	$ 2,308	$ 2,930
Basic earnings per share	$ .41	$ .69	$ 1.01	$ 1.28
Diluted earnings per share	$ .41	$ .69	$ 1.01	$ 1.28
Dividends per share	$ .60	$ .56	$ 1.60	$ 1.56

See Notes to Unaudited Consolidated Financial Statements

JUNIATA VALLEY FINANCIAL CORP. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF STOCKHOLDERS EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 2005
(Unaudited, except per share amounts)

	Common Stock	Surplus	Retained Earnings	Accumulated Other Comprehensive Income (loss)	Treasury Stock	Total
			(In thousands)			
BALANCE December 31, 2004	$ 2,373	$ 20,386	$ 29,966	$ 414	$ (2,986)	$ 50,153
Comprehensive Income:						
Net income for the six months ended June 30, 2005			2,308			2,308
Change in unrealized (losses) on securities available for sale, net of reclassification adjustment and tax effects				(438)		(438)
Minimum pension liability Adjustment net of tax effects				(631)		(631)
Total Comprehensive Income						1,239
Cash dividends, $1.60 per share			(3,645)			(3,645)
Treasury stock issued for dividend reinvestment plan (7,086 shares)		94			233	327
Treasury stock issued for employee stock purchase plan (2,200 shares)		8			73	81
Treasury stock acquired (6,000 shares)					(270)	(270)
Balance June 30, 2005	$ 2,373	$ 20,488	$ 28,629	$ (655)	$ (2,950)	$ 47,885

See Notes to Unaudited Consolidated Financial Statements

JUNIATA VALLEY FINANCIAL CORP. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF STOCKHOLDERS EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 2004
(Unaudited, except per share amounts)

	Common Stock	Surplus	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock	Total
			(In thousands)			
BALANCE December 31, 2003	$ 2,373	$ 20,231	$ 29,016	$ 1,472	$ (2,609)	$ 50,483
Comprehensive Income:						
Net income for the six months ended June 30, 2004			2,930			2,930
Change in unrealized losses on securities available for sale, net of reclassification adjustment and tax effects				(1,138)		(1,138)
Total Comprehensive Income						1,792
Cash dividends, $1.56 per share			(3,560)			(3,560)
Treasury stock issued for dividend reinvestment plan (7,207 shares)		74			206	280
Treasury stock issued for employee stock purchase plan (5,574 shares)		(6)			160	154
Treasury stock acquired (15,115 shares)					(580)	(580)
Balance June 30, 2004	$ 2,373	$ 20,299	$ 28,386	$ 334	$ (2,823)	$ 48,569

See Notes to Unaudited Consolidated Financial Statements

JUNIATA VALLEY FINANCIAL CORP. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	For the Six Months Ended June 30, 2005	June 30, 2004
	(In thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 2,308	$ 2,930
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	28	157
Provision for depreciation	303	271
Net amortization of security premiums	68	158
Net realized gains on sales of securities	(99)	(268)
Deferred compensation expense	215	245
Payment of deferred compensation	(180)	(193)
Earnings on investment in life insurance	(138)	(171)
Other	(549)	(564)
Net cash provided by operating activities	1,956	2,565
CASH FLOWS FROM INVESTING ACTIVITIES		
Net decrease in interest bearing time deposits	500	1,100
Purchases of available for sale securities	(3,094)	(8,847)
Proceeds from sales of available for sale securities	125	3,279
Proceeds from maturities of and principal repayments on available for sale securities	6,438	16,054
Proceeds from sales of FHLB stock	786	348
Purchases of FHLB stock	(506)	(179)
Purchases of held to maturity securities	(4,400)	(1,295)
Proceeds from maturities of and principal repayments on held to maturity securities	1,000	6,359
Net increase in loans receivable	(12,269)	(17,593)
Purchases of bank premises and equipment	(97)	(209)
Net cash used for investing activities	(11,517)	(983)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase in deposits	8,496	2,106
Net increase in short-term borrowings	1,348	
Cash dividends	(3,645)	(3,560)
Purchase of treasury stock	(270)	(580)
Treasury stock issued for dividend reinvestment and employee stock purchase plan	408	434

Net cash provided by (used for) financing activities	6,337	(1,600)
Decrease in cash and cash equivalents	(3,224)	(18)
Cash and cash equivalents:		
Beginning	14,800	13,267
Ending	$ 11,576	$ 13,609
Supplementary cash flows information:		
Interest paid	$ 3,608	$ 3,230
Income taxes paid	$ 1,151	$ 1,096

See Notes to Unaudited Consolidated Financial Statements

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

NOTE A Basis of Presentation

The financial information includes the accounts of Juniata Valley Financial Corp. (the Corporation) and its wholly owned subsidiary, The Juniata Valley Bank. All significant intercompany accounts and transactions have been eliminated.

The accompanying unaudited consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles for interim financial information. Accordingly, they do not include all of the information and footnotes required by U.S. generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments considered necessary for fair presentation have been included. Operating results for the six-month period ended June 30, 2005, are not necessarily indicative of the results that may be expected for the year ended December 31, 2005. For further information, refer to the consolidated financial statements and footnotes thereto included in Juniata Valley Financial Corp. annual report on Form 10-K for the year ended December 31, 2004.

NOTE B Recent Accounting Pronouncements

In April 2005, the Securities and Exchange Commission adopted a new rule that amends the compliance dates for Financial Accounting Standards Board s (FASB) Statement of Financial Accounting Standards No. 123 (revised 2004), Share-Based Payment (FAS No. 123R). The Statement requires that compensation cost relating to share-based payment transactions be recognized in financial statements and that this cost be measured based on the fair value of the equity or liability instruments issued. FAS No. 123 (Revised 2004) covers a wide range of share-based compensation arrangements including share options, restricted share plans, performance-based awards, share appreciation rights, and employee share purchase plans. The Company will adopt FAS No. 123 (Revised 2004) on January 1, 2006 and is currently evaluating the impact the adoption of the standard will have on the Company s results of operations.

In March 2005, the Securities and Exchange Commission (SEC) issued Staff Accounting Bulletin No. 107 (SAB No. 107), Share-Based Payment, providing guidance on option valuation methods, the accounting for income tax effects of share-based payment arrangements upon adoption of FAS No. 123R, and the disclosures in MD&A subsequent to the adoption. The Company will provide SAB No. 107 required disclosures upon adoption of SFAS No. 123R on January 1, 2006, and is currently evaluating the impact the adoption of the standard will have on the Company s financial condition, results of operations, and cash flows.

In December 2004, FASB issued FAS No. 153, Exchanges of Nonmonetary Assets An Amendment of APB Opinion No. 29. The guidance in APB Opinion No. 29, Accounting for Nonmonetary Transactions, is based on the principle that exchanges of nonmonetary assets should be measured based on the fair value of the assets exchanged. The guidance in that Opinion, however, included certain exceptions to that principle. FAS No. 153 amends Opinion No. 29 to eliminate the exception for nonmonetary exchanges of similar productive assets and replaces it with a general exception for exchanges of nonmonetary assets that do not have commercial substance. A nonmonetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. The provisions of FAS No. 153 are effective for nonmonetary asset exchanges occurring in fiscal periods beginning after June 15, 2005. Early application is permitted and companies must apply the standard prospectively. The adoption of this standard is not expected to have a material effect on the Company s results of operations or financial position.

In June 2005, the FASB issued FAS No. 154, Accounting Changes and Errors Corrections, a replacement of APB Opinion No. 20 and FAS No. 3. The Statement applies to all voluntary changes in accounting principle, and changes the requirements for accounting for and reporting of a change in accounting principle. FAS No. 154 requires retrospective application to prior periods financial statements of a voluntary change in accounting principle unless it is impractical. APB Opinion No. 20 previously required that most voluntary changes in accounting principle be recognized by including in net income of the period of the change the cumulative effect of changing to the new accounting principle. FAS No. 154 improves the financial reporting because its requirements enhance the consistency of financial reporting between periods.

NOTE C Accumulated Other Comprehensive Income

Accounting principles generally require that recognized revenue, expenses, gains, and losses be included in net income. Although certain changes in assets and liabilities, such as unrealized gains and losses on available for sale securities, are reported as a separate component of the equity section of the balance sheet, such items, along with net income, are components of comprehensive income (loss).

The components of other comprehensive income and related tax affects are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2005	2004	2005	2004
	(In thousands)			
Unrealized holding gains (losses) on available for sale securities	$ 328	$ (1,682)	$ (565)	$ (1,456)
Less classification adjustment for gains realized in income		(134)	(99)	(268)
Tax benefit (expense)	(112)	618	226	586
Minimum pension liability adjustment	(956)		(956)	
Tax benefit	325		325	
Net	$ (415)	$ (1,198)	$ (1,069)	$ (1,138)

NOTE D Stock Option Plan

The Corporation accounts for the stock option plan under the recognition and measurement principles of APB Opinion No. 25, Accounting for Stock Issued to Employees, and related interpretations. No stock-based employee compensation cost is reflected in net income, as all options granted under those plans had an exercise price equal to the market value of the underlying common stock on the date of grant. The following table illustrates the effect on net income and earnings per share if the Corporation had applied the fair value recognition provisions of FASB Statement No. 123, Accounting for Stock-Based Compensation, to stock-based compensation for three and six months ended June 30, 2005 and 2004:

	For the Quarter Ended		For the Six Months Ended	
	June 30, 2005	June 30, 2004	June 30, 2005	June 30, 2004
	(In thousands, except per share amount)			
Net income, as reported	$ 945	$ 1,575	$ 2,308	$ 2,930
Total stock-based employee compensation expense determined under fair value based method for all awards	(8)	(9)	(15)	(17)
Pro forma net income	$ 937	$ 1,566	$ 2,293	$ 2,913

Basic earnings per share:				
As reported	$ .41	$ .69	$ 1.01	$ 1.28
Pro forma	$ .41	$ .69	$ 1.01	$ 1.28
Diluted earnings per share:				
As reported	$ .41	$ .69	$ 1.01	$ 1.28
Pro forma	$ .41	$ .69	$ 1.00	$ 1.28

NOTE E Earnings Per Share

The following table sets forth the computation of basic and diluted earnings per share:

	For the Quarter Ended		For the Six Months Ended	
	June 30, 2005	June 30, 2004	June 30, 2005	June 30, 2004
Net income applicable to common stock	$ 945,000	1,575,000	2,308,000	2,930,000
Weighted average common shares outstanding	2,280,073	2,278,217	2,280,162	2,280,662
Effect of dilutive securities, stock options	9,181	6,250	8,593	5,537
Weighted average common shares outstanding used to calculate diluted earnings per share	2,289,254	2,284,467	2,288,755	2,286,199
Basic earnings per share	$ .41	$ .69	$ 1.01	$ 1.28
Diluted earnings per share	$ .41	$ .69	$ 1.01	$ 1.28

NOTE F Guarantees

The Corporation does not issue any guarantees that would require liability recognition or disclosure, other than its letters of credit. Letters of credit written are conditional commitments issued by the Corporation to guarantee the performance of a customer to a third party. Generally, all letters of credit, when issued have expiration dates within one year. The credit risk involved in issuing letters of credit is essentially the same as those that are involved in extending loan facilities to customers. The Corporation, generally, holds collateral and/or personal guarantees supporting these commitments. The Corporation had $735,000 of letters of credit as of June 30, 2005. Management believes that the proceeds obtained through a liquidation of collateral and the enforcement of guarantees would be sufficient to cover the potential amount of future payment required under the corresponding guarantees. The current amount of the liability as of June 30, 2005, for guarantees under letters of credit issued is not material.

NOTE G Defined Benefit Retirement Plan

The Corporation has a defined benefit retirement plan covering substantially all of its employees. The benefits are based on years of service and the employees compensation. The Corporation s funding policy is to contribute annually the maximum amount that can be deducted for federal income taxes purposes. Contributions are intended to provide not only for benefits attributed to service to date but also for those expected to be earned in the future.

Pension expense included the following components for the three- and six-month periods ended June 30, 2005 and 2004.

	(In Thousands)			
	For the Quarter Ended		For the Six Months Ended	
	June 30, 2005	June 30, 2004	June 30, 2005	June 30, 2004
Service cost	$ 70	$ 66	$ 140	$ 156
Interest cost	87	80	173	160
Expected return on plan assets	(84)	(80)	(167)	(160)
Net amortization	42		38	

Net periodic cost	$ 115	$ 66	$ 184	$ 156

SEE EXPLANATORY NOTE PRECEDING THE TABLE OF CONTENTS ON PAGE 1

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders
Juniata Valley Financial Corp.
Mifflintown, Pennsylvania

We have audited the accompanying consolidated balance sheet of Juniata Valley Financial Corp. and its wholly owned subsidiary, The Juniata Valley Bank, as of June 30, 2005, and the related consolidated statements of income, stockholders equity, and cash flows for the six months ended June 30, 2005. These consolidated financial statements are the responsibility of the Corporation s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Juniata Valley Financial Corp. and its wholly owned subsidiary, The Juniata Valley Bank, as of June 30, 2005, and the results of their operations and their cash flows for the six months ended June 30, 2005, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Juniata Valley Financial Corp. and its wholly-owned subsidiary, The Juniata Valley Bank s internal control over the financial reporting as of June 30, 2005, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated September 2, 2005 expressed an unqualified opinion on management s assessment of internal control over financial reporting and an unqualified opinion on the effectiveness of internal control over financial reporting.

/s/ Beard Miller Company LLP

Pittsburgh, Pennsylvania
September 2, 2005

Juniata Valley Financial Corp.
Consolidated Balance Sheet

		June 30, 2005 (In Thousands, Except Share Data)
Assets		
Cash and due from banks	$	**11,485**
Interest-bearing deposits with banks		**91**
Cash and Cash Equivalents		**11,576**
Interest-bearing time deposits with banks		**6,260**
Securities available for sale		**67,479**
Securities held to maturity, fair value $7,861		**7,887**
FHLB stock		**1,049**
Loans receivable, net of allowance for loan losses $2,988		**289,000**
Bank premises and equipment, net		**6,596**
Bank-owned life insurance		**8,023**
Accrued interest receivable and other assets		**8,190**
Total Assets	$	**406,060**
Liabilities and Stockholders Equity		
Liabilities		
Deposits:		
Non-interest bearing	$	**46,941**
Interest-bearing		**294,197**
Total Deposits		**341,138**
Securities sold under agreements to repurchase		**4,564**
Short-term borrowings		**1,500**
Long-term borrowings		**5,000**
Accrued interest payable and other liabilities		**5,973**
Total Liabilities		**358,175**
Stockholders Equity		
Preferred stock, no par value; 500,000 shares authorized; no shares issued or outstanding		
		2,373

Common stock, par value $1.00 per share; authorized 20,000,000 shares; issued 2,372,913 shares		
Surplus		**20,488**
Retained earnings		**28,629**
Accumulated other comprehensive loss		**(655)**
Treasury stock, at cost 88,998 shares		**(2,950)**
Total Stockholders Equity		**47,885**
Total Liabilities and Stockholders Equity	**$**	**406,060**

See notes to consolidated financial statements.

Juniata Valley Financial Corp.
Consolidated Statement of Income

		Six Months Ended June 30, 2005 (In Thousands, Except per Share Data)
Interest Income		
Loans receivable, including fees	$	9,726
Taxable securities		968
Tax-exempt securities		334
Other		148
Total Interest Income		11,176
Interest Expense		
Deposits		3,557
Borrowings		129
Total Interest Expense		3,686
Net Interest Income		7,490
Provision for Loan Losses		28
Net Interest Income After Provision for Loan Losses		7,462
Other Income		
Trust department		190
Customer service fees		683
Net realized gains on sales of securities		99
Earnings on bank-owned life insurance		138
Other		521
Total Other Income		1,631
Other Expenses		
Salaries and wages		2,459
Employee benefits		786

Occupancy		**417**
Equipment		**900**
Director compensation		**202**
Taxes, other than income		**257**
Other		**873**
Total Other Expenses		**5,894**
Income Before Income Taxes		**3,199**
Federal Income Taxes		**891**
Net Income	**$**	**2,308**
Per Share Data		
Basic	**$**	**1.01**
Diluted	**$**	**1.01**
Cash dividends	**$**	**1.60**

See notes to consolidated financial statements.

Juniata Valley Financial Corp.
Consolidated Statement of Stockholders Equity
Six Months Ended June 30, 2005

	Common Stock	Surplus	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total
			(In Thousands)			
Balance December 31, 2004	$ 2,373	$ 20,386	$ 29,966	$ 414	$ (2,986)	$ 50,153
Comprehensive income:						
Net income			**2,308**			**2,308**
Change in unrealized loss on securities available for sale, net of reclassification adjustment and tax benefit				**(438)**		**(438)**
Minimum pension liability adjustment, net of tax benefit				**(631)**		**(631)**
Total Comprehensive Income						**1,239**
Cash dividends declared			**(3,645)**			**(3,645)**
Treasury stock issued under dividend reinvestment plan (7,086 shares)		**94**			**233**	**327**
Treasury stock issued under employee stock purchase plan (2,200 shares)		**8**			**73**	**81**
Treasury stock acquired (6,000 shares)					**(270)**	**(270)**
Balance June 30, 2005	**$ 2,373**	**$ 20,488**	**$ 28,629**	**$ (655)**	**$ (2,950)**	**$ 47,885**

See notes to consolidated financial statements.

16

Juniata Valley Financial Corp.
Consolidated Statement of Cash Flows

	Six Months Ended June 30, 2005 (In Thousands)
Cash Flows from Operating Activities	
Net income	$ 2,308
Adjustments to reconcile net income to net cash provided by operating activities:	
Provision for loan losses	28
Provision for depreciation	303
Net amortization of securities premium	68
Net realized gains on sales of securities	(99)
Deferred compensation expense	215
Payment of deferred compensation	(180)
Earnings on investment in life insurance	(138)
Other	(549)
Net Cash Provided by Operating Activities	1,956
Cash Flows from Investing Activities	
Net decrease in interest-bearing time deposits	500
Purchases of available-for-sale securities	(3,094)
Proceeds from sales of available for-sale securities	125
Proceeds from maturities of and principal repayments on available-for-sale securities	6,438
Proceeds from sales of FHLB stock	786
Purchases of FHLB stock	(506)
Purchases of held-to-maturity securities	(4,400)
Proceeds from maturities of and principal repayments on held-to maturity securities	1,000
Net increase in loans receivable	(12,269)
Purchases of bank premises and equipment	(97)
Net Cash Used in Investing Activities	(11,517)
Cash Flows from Financing Activities	
Net increase in deposits	8,496
Net increase in short-term borrowings	1,348
Cash dividends	(3,645)
Purchase of treasury stock	(270)
Treasury stock issued for dividend reinvestment and employee stock purchase plan	408
Net Cash Provided by Financing Activities	6,337

Net Decrease in Cash and Cash Equivalents		**(3,224)**
Cash and Cash Equivalents Beginning		**14,800**
Cash and Cash Equivalents Ending	**$**	**11,576**
Supplementary Cash Flows Information		
Interest paid	**$**	**3,608**
Income taxes paid	**$**	**1,151**

See notes to consolidated financial statements.

Juniata Valley Financial Corp.

Notes to Consolidated Financial Statements

Note 1 Summary of Significant Accounting Policies

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Juniata Valley Financial Corp. (the Corporation), a bank holding company, and its wholly owned subsidiary, The Juniata Valley Bank (the Bank). All significant intercompany accounts and transactions have been eliminated.

Nature of Operations

The Bank operates under a state bank charter and provides full banking services, including trust services. As a state bank, the Bank is subject to regulation of the Pennsylvania Department of Banking and the Federal Deposit Insurance Corporation. The bank holding company (parent company) is subject to regulation of the Federal Reserve Bank. The area served by the Bank is principally the counties of Juniata, Mifflin, Perry, Huntingdon, Centre, Franklin, and Snyder, Pennsylvania.

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for loan losses, valuation of deferred tax assets, and determination of the pension liability position.

Significant Group Concentrations of Credit Risk

Most of the Corporation s activities are with customers located within the Juniata Valley Region. The Corporation does not have any significant concentrations to any one industry or customer.

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash on hand, amounts due from banks, and interest-bearing demand deposits with banks.

Interest-Bearing Time Deposits with Banks

Interest-bearing deposits with banks consist of certificates of deposits in other banks with maturities within one year to five years.

Securities

Securities classified as available for sale are those debt securities that the Corporation intends to hold for an indefinite period of time, but not necessarily to maturity. Any decision to sell a security classified as available for sale would be based on various factors, including significant movements in interest rates, changes in the maturity mix of the Bank s assets and liabilities, liquidity needs, regulatory capital considerations, and other similar factors. Securities available for sale are carried at fair value. Unrealized gains and losses are reported in other comprehensive income, net of the related deferred tax effect. Realized gains or losses, determined on the basis of the cost of specific securities sold, are included in earnings. Premiums and discounts are recognized in interest income using the interest method over the terms of the securities.

Juniata Valley Financial Corp.

Note 1 Summary of Significant Accounting Policies (Continued)

Securities (Continued)

Securities classified as held to maturity are those debt securities the Corporation has both the intent and ability to hold to maturity regardless of changes in market conditions, liquidity needs, or changes in general economic conditions. These securities are carried at cost adjusted for amortization of premium and accretion of discount, computed by the interest method over their contractual lives.

Declines in the fair value of held-to-maturity and available-for-sale securities below their cost that are deemed to be other than temporary are reflected in earnings as realized losses. In estimating other-than-temporary impairment losses, management considers: (1) the length of time and the extent to which the fair value has been less than cost; (2) the financial condition and near-term prospects of the issuer; and (3) the intent and ability of the Corporation to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value.

Management determines the appropriate classification of debt securities at the time of purchase and reevaluates such designation as of each balance sheet date.

FHLB Stock

The Corporation owns restricted stock investments in the Federal Home Loan Bank (FHLB). Federal law requires a member institution of the FHLB to hold stock according to a predetermined formula. The stock is carried at cost.

Loans Receivable

Loans receivable that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are stated at their outstanding unpaid principal balances, net of unearned discount and an allowance for loan losses. Interest income is accrued on the unpaid principal balance. Unearned discount on discounted loans is amortized to income over the life of the loans, using the interest method.

The accrual of interest is generally discontinued when the contractual payment of principal or interest has become 90 days past due or management has serious doubts about further collectibility of principal or interest, even though the loan is currently performing. A loan may remain on accrual status if it is in the process of collection and is either guaranteed or well secured. When a loan is placed on nonaccrual status, unpaid interest credited to income in the current year is reversed and unpaid interest accrued in prior years is charged against the allowance for loan losses. Interest received on nonaccrual loans generally is either applied against principal or reported as interest income, according to management s judgment as to the collectibility of principal. Generally, loans are restored to accrual status when the obligation is brought current, has performed in accordance with the contractual terms for a reasonable period of time, and the ultimate collectibility of the total contractual principal and interest is no longer in doubt.

Allowance for Loan Losses

The allowance for loan losses is established through provisions for loan losses charged against income. Loans deemed to be uncollectible are charged against the allowance for loan losses, and subsequent recoveries, if any, are credited to the allowance.

The allowance for loan losses is maintained at a level considered adequate to provide for losses that can be reasonably anticipated. Management s periodic evaluation of the adequacy of the allowance is based on the Corporation s past loan loss experience, known and inherent risks in the portfolio, adverse situations that may affect

Juniata Valley Financial Corp.

Note 1 Summary of Significant Accounting Policies (Continued)

Allowance for Loan Losses (Continued)

the borrower s ability to repay, the estimated value of any underlying collateral, composition of the loan portfolio, current economic conditions, and other relevant factors. This evaluation is inherently subjective as it requires material estimates that may be susceptible to significant change, including the amounts and timing of future cash flows expected to be received on impaired loans.

The allowance consists of specific, general, and unallocated components. The specific component relates to loans that are classified as doubtful, substandard, or special mention. For such loans that are also classified as impaired, an allowance is established when the discounted cash flows (or collateral value or observable market price) of the impaired loan is lower than the carrying value of that loan. The general component covers non-classified loans and is based on historical loss experience adjusted for qualitative factors. An unallocated component is maintained to cover uncertainties that could affect management s estimate of probable losses. The unallocated component of the allowance reflects the margin of imprecision inherent in the underlying assumptions used in the methodologies for estimating specific and general losses in the portfolio. A loan is considered impaired when, based on current information and events, it is probable that the Corporation will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower s prior payment record, and the amount of the shortfall in relation to the principal and interest owed. Impairment is measured on a loan-by-loan basis for commercial and construction loans by either the present value of expected future cash flows discounted at the loan s effective interest rate, the loan s obtainable market price, or the fair value of the collateral if the loan is collateral dependent.

Large groups of smaller balance homogeneous loans are collectively evaluated for impairment. Accordingly, the Corporation does not separately identify individual consumer and residential loans for impairment disclosures.

Bank Premises and Equipment

Bank premises and equipment are stated at cost less accumulated depreciation. Depreciation is computed principally on the straight-line method over the estimated useful lives of the related assets, which range from 3 to 10 years for furniture and equipment and 25 to 50 years for buildings. Expenditures for maintenance and repairs are charged against income as incurred. Costs of major additions and improvements are capitalized.

Trust Assets

Assets held in a fiduciary capacity are not assets of the Corporation or Trust and are, therefore, not included in the financial statements.

Foreclosed Real Estate

Foreclosed real estate is composed of property acquired through a foreclosure proceeding or acceptance of a deed in lieu of foreclosure and loans classified as in-substance foreclosure. Such properties are included in other assets. A loan is classified as in-substance foreclosure when the Corporation has taken possession of the collateral regardless of whether formal foreclosure proceedings take place. Foreclosed assets initially are recorded at fair value, net of estimated selling costs, at the date of foreclosure establishing a new cost basis. After foreclosure, valuations are periodically performed by management and the assets are carried at the lower of the carrying amount or fair value minus estimated costs to sell. Revenues and expenses from operations and changes in the valuation allowance are included in other expenses.

Juniata Valley Financial Corp.

Note 1 Summary of Significant Accounting Policies (Continued)

Bank-Owned Life Insurance (BOLI)

The Corporation has purchased life insurance policies on certain key employees. BOLI is recorded at its cash surrender value, or the amount that can be realized.

Income Taxes

Deferred taxes are provided on the liability method whereby deferred tax assets are recognized for deductible temporary differences, and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities in the financial statements and their tax basis. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted through the provision for income taxes for the effects of changes in tax laws and rates on the date of enactment. The Corporation and its subsidiary file a consolidated federal income tax return.

Advertising

The Corporation follows the policy of charging the costs of advertising to expense as incurred.

Off-Balance Sheet Financial Instruments

In the ordinary course of business, the Corporation has entered into off-balance sheet financial instruments consisting of commitments to extend credit and letters of credit. Such financial instruments are recorded in the balance sheet when they are funded.

Stock Option Plans

The Corporation has adopted the disclosure-only provisions of SFAS 123, *Accounting for Stock-Based Compensation.* Accordingly, no stock-based employee compensation cost is reflected in net income, as all options granted under those plans had an exercise price equal to the market value of the underlying common stock on the date of grant. The following table illustrates the effect on net income and earnings per share if the Corporation had applied the fair value recognition provisions of FASB Statement No. 123, *Accounting for Stock-Based Compensation,* to stock-based compensation for the six months ended June 30, 2005:

		Six Months Ended June 30, 2005 (In Thousands)
Net income, as reported	$	2,308
Total stock-based employee compensation expense determined under fair value based method for all awards		(15)
Pro forma net income	$	2,293
Basic earnings per share:		
As reported	$	1.01
Pro forma	$	1.01
Diluted earnings per share:		
As reported	$	1.01
Pro forma	$	1.00

Juniata Valley Financial Corp.

Note 1 Summary of Significant Accounting Policies (Continued)

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model, with the following assumptions:

Grant Year	Expected Dividend Yield	Risk-Free Interest Rate	Expected Volatility	Expected Life (in years)
2001	**4.00%**	**4.66%**	**21.54%**	**7**
2002	**3.01%**	**3.77%**	**17.81%**	**7**
2003	**2.90%**	**3.65%**	**16.81%**	**7**
2004	**5.10%**	**4.19%**	**20.02%**	**7**

Earnings per Share

Basic earnings per share (EPS) is computed by dividing net income by the weighted average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the Corporation. Potential common shares that may be issued by the Corporation relate solely to outstanding stock options and are determined using the treasury stock method. The following table sets forth the computation of basic and diluted earnings per share:

		Six Months Ended June 30, 2005 (Dollars in Thousands, Except Per Share Data)
Basic earnings per share:		
Net income	**$**	**2,308**
Weighted average shares outstanding		**2,280,162**
Earnings per share	**$**	**1.01**
Diluted earnings per share:		
Net income	**$**	**2,308**
Weighted average shares outstanding		**2,280,162**
Dilutive effect of employee stock options		**8,593**
Total diluted weighted average shares outstanding		**2,288,755**
Earnings per share	**$**	**1.01**

Comprehensive Income

Accounting principles generally require that recognized revenue, expenses, gains, and losses be included in net income. Although certain changes in assets and liabilities, such as unrealized gains and losses on available-for-sale securities, are reported as a separate component of the equity section of the balance sheet, such items, along with net income, are components of comprehensive income.

Juniata Valley Financial Corp.

Note 1 Summary of Significant Accounting Policies (Continued)

The components of other comprehensive income and related tax effects are as follows:

		Six Months Ended June 30, 2005 (In Thousands)
Unrealized holding loss on available for sale securities	$	(565)
Reclassification adjustment for gains realized in income		(99)
Tax benefit on unrealized loss		226
Minimum pension liability adjustment		(956)
Tax benefit on pension liability adjustment		325
Net of Tax Amount	$	(1,069)

New Accounting Standards

In April 2005, the Securities and Exchange Commission adopted a new rule that amends the compliance dates for Financial Accounting Standards Board s (FASB) Statement of Financial Accounting Standards No. 123 (revised 2004), *Share-Based Payment* (FAS No. 123R). The Statement requires that compensation cost relating to share-based payment transactions be recognized in financial statements and that this cost be measured based on the fair value of the equity or liability instruments issued. FAS No. 123R (Revised 2004) covers a wide range of share-based compensation arrangements including share options, restricted share plans, performance-based awards, share appreciation rights, and employee share purchase plans. The Corporation will adopt FAS No. 123 (Revised 2004) on January 1, 2006, and is currently evaluating the impact the adoption of the standard will have on the Corporation s results of operations.

In March 2005, the Securities and Exchange Commission (SEC) issued Staff Accounting Bulletin No. 107 (SAB No. 107), *Share-Based Payment,* providing guidance on option valuation methods, the accounting for income tax effects of share-based payment arrangements upon adoption of FAS No. 123R, and the disclosures in MD&A subsequent to the adoption. The Company will provide SAB No. 107 required disclosures upon adoption of FAS No. 123R on January 1, 2006, and is currently evaluating the impact the adoption of the standard will have on the Company s financial condition, results of operations, and cash flows.

Juniata Valley Financial Corp.

Note 1 New Accounting Standards (Continued)

In December 2004, FASB issued FAS No. 153, Exchanges of Nonmonetary Assets An Amendment of APB Opinion No. 29. The guidance in APB Opinion No. 29, *Accounting for Nonmonetary Transactions,* is based on the principle that exchanges of nonmonetary assets should be measured based on the fair value of the assets exchanged. The guidance in that Opinion, however, included certain exceptions to that principle. FAS No. 153 amends Opinion No. 29 to eliminate the exception for nonmonetary exchanges of similar productive assets and replaces it with a general exception for exchanges of nonmonetary assets that do not have commercial substance. A nonmonetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. The provisions of FAS No. 153 are effective for nonmonetary asset exchanges occurring in fiscal periods beginning after June 15, 2005. Early application is permitted and companies must apply the standard prospectively. The adoption of this standard is not expected to have a material effect on the Company s results of operations or financial position.

In June 2005, the FASB issued FAS No. 154, *Accounting Changes and Errors Corrections, a replacement of APB Opinion No. 20 and FAS No. 3.* The Statement applies to all voluntary changes in accounting principle and changes the requirements for accounting for and reporting of a change in accounting principle. FAS No. 154 requires retrospective application to prior periods financial statements of a voluntary change in accounting principle unless it is impractical. APB Opinion No. 20 previously required that most voluntary changes in accounting principle be recognized by including in net income of the period of the change the cumulative effect of changing to the new accounting principle. FAS No. 154 improves the financial reporting because its requirements enhance the consistency of financial reporting between periods.

Note 2 Restrictions on Cash and Due from Bank Balances

The Bank is required to maintain reserve balances with the Federal Reserve Bank. The average reserve balance for June 30, 2005 approximated $5,059,000.

Note 3 Securities

The amortized cost and fair value of securities at June 30 were as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
		(In Thousands)		
Available-for-Sale Securities:				
June 30, 2005:				
U.S. Government agency obligations	**$ 46,339**	**$ 64**	**$ (502)**	**$ 45,901**
Obligations of states and political subdivisions	**15,852**	**167**	**(10)**	**16,009**
Mortgage-backed securities	**4,566**	**17**	**(78)**	**4,505**
Equity securities	**759**	**322**	**(17)**	**1,064**
	$ 67,516	**$ 570**	**$ (607)**	**$ 67,479**

Juniata Valley Financial Corp.
Note 3 Securities (Continued)

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
		(In Thousands)		
Held-to-Maturity Securities:				
June 30, 2005:				
U.S. Treasury securities	$ 1,486	$ 19		$ 1,505
U.S. Government agency obligations	2,001		(45)	1,956
Obligations of states and political subdivisions	4,400			4,400
	$ 7,887	$ 19	$ (45)	$ 7,861

The amortized cost and fair value of securities as of June 30, 2005, by contractual maturity, are shown below. Expected maturities may differ from contractual maturities because the securities may be called or prepaid with or without prepayment penalties.

	Available for Sale		Held to Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
		(In Thousands)		
Due in one year or less	$ 14,812	$ 14,762	$ 4,400	$ 4,400
Due after one year through five years	47,379	47,148	3,487	3,461
Mortgage-backed securities	4,566	4,505		
Equity securities	759	1,064		
	$ 67,516	$ 67,479	$ 7,887	$ 7,861

Gross gains of $99,000 were realized on sales of securities available for sale for the six months ended June 30, 2005. Proceeds from the sales were $125,000.

Juniata Valley Financial Corp.
Note 3 Securities (Continued)
Securities with a fair value of $35,017,000 at June 30, 2005, were pledged to secure public deposits, securities sold under agreements to repurchase and for other purposes as required or permitted by law.
The following table shows the Corporation s investments gross unrealized losses and fair value, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, at June 30, 2005:

	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
			(In Thousands)			
Securities Available for Sale:						
U.S. Government agency obligations	$ 8,921	$ (72)	$ 27,992	$ (430)	$ 36,913	$ (502)
Obligations of states and political subdivisions			1,531	(10)	1,531	(10)
Mortgage-backed securities	16	(1)	3,477	(77)	3,493	(78)
Equity securities	19	(1)	69	(16)	88	(17)
	8,956	(74)	33,069	(533)	42,025	(607)
Securities Held to Maturity:						
U.S. Government agency obligations			1,956	(45)	1,956	(45)
Total	$ 8,956	$ (74)	$ 35,025	$ (578)	$ 43,981	$ (652)

Management evaluates securities for other-than-temporary impairment at least on a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. Consideration is given to the length of time and the extent to which fair value has been less than cost, the financial condition and near-term prospects of the issuer, and the intent and ability of the Corporation to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value. The decline in fair value at June 30, 2005, is primarily due to interest rate fluctuations. At June 30, 2005, there were 39 securities that were in an unrealized loss position. As the Corporation has the intent and ability to hold such investments until maturity or market price recovery, no securities are deemed to be other-than-temporarily impaired.

Juniata Valley Financial Corp.

Note 4 Loans Receivable and Allowance for Loan Losses

Loans receivable are composed of the following:

	June 30, 2005 (In Thousands)
Commercial, agricultural, and financial	$ 23,717
Real estate mortgages:	
Residential	144,632
Commercial	53,992
Consumer	66,234
Other	4,985
	293,560
Unearned discount on loans	(1,572)
Allowance for loan losses	(2,988)
	$ 289,000

The following table presents changes in the allowance for loan losses:

	Six Months Ended June 30, 2005 (In Thousands)
Balance, beginning	$ 2,989
Provision for loan losses	28
Recoveries	17
Loans charged off	(46)
Balance, ending	$ 2,988

There were no investments in impaired loans not requiring an allowance for loan losses at June 30, 2005 The recorded investment in impaired loans requiring an allowance for loan losses at June 30, 2005, was $2,194,000. The related allowance for loan losses associated with these loans was $250,000. For the six months ended June 30, 2005, the average recorded investment in these impaired loans was $2,199,000. Interest income recognized on these impaired loans was $55,000.

There were no nonaccrual loans at June 30, 2005. The recorded investment in loans greater than 90 days past due and still accruing at June 30, 2005, was $440,000.

Juniata Valley Financial Corp.

Note 5 Bank Premises and Equipment

The major components of bank premises and equipment are as follows:

	June 30, 2005 (In Thousands)
Land and improvements	$ 686
Buildings and improvements	7,178
Furniture and equipment	4,101
	11,965
Accumulated depreciation	(5,369)
	$ 6,596

Depreciation expense for the six-months ended June 30, 2005 was $303,000.

Note 6 Deposits

The composition of deposits is as follows:

	June 30, 2005 (In Thousands)
Demand, non-interest bearing	$ 46,941
NOW and Money Market	64,050
Savings	45,932
Time, $100,000 or more	37,973
Other time	146,242
	$ 341,138

At June 30, 2005, the scheduled maturities of time deposits are as follows (in thousands):

June 30, 2006	$ 83,720
June 30, 2007	33,395
June 30, 2008	29,126
June 30, 2009	12,756
June 30, 2010	25,218

$	**184,215**

Juniata Valley Financial Corp.

Note 7 Securities Sold Under Agreements to Repurchase, Short-Term Borrowings and Long-Term Debt

The Corporation has entered into sales of securities under agreements to repurchase in September 2004. Securities sold under agreements to repurchase are overnight borrowings. These borrowings are described below:

	June 30, 2005 (Dollars in thousands)
Ending balance	**$4,564**
Average balance	**4,162**
Maximum month-end balance	**4,564**
Weighted average rate	**2.40%**
Rate at end of period	**2.82%**
Range of interest rates paid on June 30	**1.89% to 2.82%**

The securities that serve as collateral for securities sold under agreements to repurchase consist of U.S. Agency securities with a fair value of $8,279,000 at June 30, 2005.

The Corporation has a maximum borrowing capacity of $169,730,000 with the FHLB which is collateralized by qualifying assets of the Corporation. A $5,000,000 term loan was entered into on August 9, 2004. It matures on August 9, 2006,with a fixed rate of interest of 2.86 percent.

The Corporation has entered into an agreement whereby it can borrow up to $10,000,000 from the Federal Home Loan Bank (FHLB). These borrowings are described below:

	June 30, 2005 (Dollars in thousands)
Ending balance	**$1,500**
Average balance	**365**
Maximum month-end balance	**1,500**
Weighted average rate	**2.80%**
Rate at end of period	**3.56%**
Range of interest rates paid on June 30	**2.42% to 3.56%**

Juniata Valley Financial Corp.

Note 8 Regulatory Matters and Stockholders Equity

The Corporation and the Bank are subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet the minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Corporation s financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Corporation and the Bank must meet specific capital guidelines that involve quantitative measures of their assets, liabilities and certain off balance sheet items as calculated under regulatory accounting practices. The capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the maintenance of minimum amounts and ratios (set forth below) of Total and Tier l capital (as defined in the regulations) to risk-weighted assets and of Tier l capital to average assets. Management believes, as of December 31, 2004, that the Corporation and the Bank meet all capital adequacy requirements to which they are subject.

As of June 30, 2005, the most recent notification from the Federal Deposit Insurance Corporation categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. There are no conditions or events since that notification that management believes have changed the Bank s category.