SOUTHWEST GEORGIA FINANCIAL CORP
Form 10-Q
August 14, 2008

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

FORM 10-Q

(Mark One)
[X] Quarterly report under Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended June 30, 2008

[ ] Transition report under Section 13 or 15(d) of the Exchange Act.
For the transition period from __________ to __________

Commission file number 1-12053

SOUTHWEST GEORGIA FINANCIAL CORPORATION
(Exact Name Of Small Business Issuer as specified in its Charter)

Georgia	58-1392259
(State Or Other Jurisdiction Of Incorporation Or Organization)	(I.R.S. Employer Identification No.)

201 FIRST STREET, S.E., MOULTRIE, GEORGIA 31768
Address Of Principal Executive Offices

(229) 985-1120
Registrant's Telephone Number, Including Area Code

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 requirements for the past 90 days. Yes [X] No [ ]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer (as defined in Rule 12b-2 of the Act).

Large accelerated filer [ ]	Non-accelerated filer [ ]
Accelerated filer [ ]	Smaller reporting company [X]

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

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

Class	Outstanding At July 21, 2008
Common Stock, $1 Par Value	2,547,837

SOUTHWEST GEORGIA FINANCIAL CORPORATION
QUARTERLY REPORT ON FORM 10-Q
FOR THE QUARTER ENDED JUNE 30, 2008

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SOUTHWEST GEORGIA FINANCIAL CORPORATION
CONSOLIDATED BALANCE SHEETS
June 30, 2008 and December 31, 2007

	(Unaudited) June 30, 2008	(Audited) December 31, 2007
ASSETS		
Cash and due from banks	$ 9,790,763	$ 8,736,079
Interest-bearing deposits in other banks	5,299,877	9,997,889
Federal funds sold	0	0
Cash and cash equivalents	15,090,640	18,733,968
Investment securities available for sale, at fair value	91,630,836	31,188,277
Investment securities held to maturity (fair value approximates $15,505,056 and $88,124,110)	15,590,345	88,226,049
Federal Home Loan Bank stock, at cost	1,393,300	1,652,800
Total investment securities	108,614,481	121,067,126
Loans	132,417,011	119,044,022
Less: Unearned income	(34,589)	(35,847)
Allowance for loan losses	(2,385,046)	(2,399,115)
Loans, net	129,997,376	116,609,060
Premises and equipment, net	6,104,325	6,290,658
Foreclosed assets, net	0	90,000
Intangible assets	1,159,971	1,283,096
Other assets	7,899,551	7,579,289
Total assets	$ 268,866,344	$ 271,653,197
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Deposits:		
NOW accounts	$ 26,112,376	$ 23,085,509
Money Market	39,533,717	42,031,450
Savings	22,808,073	20,560,963
Certificates of deposit $100,000 and over	32,512,417	29,588,737
Other time accounts	65,921,386	66,152,788
Total interest-bearing deposits	186,887,969	181,419,447
Noninterest-bearing deposits	33,651,407	35,373,243
Total deposits	220,539,376	216,792,690
Short-term borrowed funds	20,114,286	10,114,286
Long-term debt	0	15,000,000
Other liabilities	3,077,166	3,228,229
Total liabilities	243,730,828	245,135,205
Stockholders' equity:		
Common stock - $1 par value, 5,000,000 shares authorized, 4,293,835 shares issued	4,293,835	4,293,835
Capital surplus	31,701,533	31,701,533
Retained earnings	17,828,024	17,038,881
Accumulated other comprehensive income	(2,574,081)	(466,235)
Treasury stock, at cost 1,745,998 shares for 2008 and 1,744,198 shares for 2007	(26,113,795)	(26,050,022)
Total stockholders' equity	25,135,516	26,517,992
Total liabilities and stockholders' equity	$ 268,866,344	$ 271,653,197

SOUTHWEST GEORGIA FINANCIAL CORPORATION

CONSOLIDATED STATEMENTS OF INCOME

	For The Three Months Ended June 30, (Unaudited) 2008	For The Three Months Ended June 30, (Unaudited) 2007	For The Six Months Ended June 30, (Unaudited) 2008	For The Six Months Ended June 30, (Unaudited) 2007
Interest income:				
Interest and fees on loans	$ 2,282,569	$ 2,625,314	$ 4,704,122	$ 5,150,943
Interest on taxable securities available for sale	965,147	185,826	1,407,251	377,482
Interest on taxable securities held to maturity	115,702	958,807	582,784	1,941,307
Interest on tax exempt securities available for sale	264,753	147,288	499,635	306,115
Interest on tax exempt securities held to maturity	51,314	50,717	102,023	101,435
Dividends	22,040	31,382	50,269	61,847
Interest on federal funds sold	9,843	0	89,659	427
Interest on deposits in other banks	82,434	49,875	277,722	102,681
Total interest income	3,793,802	4,049,209	7,713,465	8,042,237
Interest expense:				
Interest on deposits	1,176,343	1,389,453	2,471,973	2,767,412
Interest on federal funds purchased	0	2,056	0	9,045
Interest on other short-term borrowings	218,570	130,113	412,650	258,738
Interest on long-term debt	33,564	201,661	144,637	375,253
Total interest expense	1,428,477	1,723,283	3,029,260	3,410,448
Net interest income	2,365,325	2,325,926	4,684,205	4,631,789
Provision for loan losses	0	0	0	0
Net interest income after provision for loan losses	2,365,325	2,325,926	4,684,205	4,631,789
Noninterest income:				
Service charges on deposit accounts	406,882	421,230	804,526	837,799
Income from trust services	65,236	68,346	134,576	139,977
Income from retail brokerage services	94,624	81,073	187,194	172,001
Income from insurance services	265,967	257,735	623,028	631,097
Income from mortgage banking services	612,626	573,867	1,297,941	1,837,809
Net gain(loss) on disposition of assets	0	1,893	12,500	11,390
Other income	41,936	39,385	138,931	129,722
Total noninterest income	1,487,271	1,443,529	3,198,696	3,759,795
Noninterest expense:				
Salaries and employee benefits	1,755,930	1,727,017	3,536,391	3,706,220
Occupancy expense	220,167	206,368	427,240	412,804
Equipment expense	159,161	155,211	323,623	311,892
Data processing expense	141,535	168,370	303,063	335,067
Amortization of intangible assets	51,909	121,378	123,124	242,757
Other operating expenses	572,158	589,032	1,244,069	1,158,202
Total noninterest expenses	2,900,860	2,967,376	5,957,510	6,166,942
Income before income taxes	951,736	802,079	1,925,391	2,224,642
Provision for income taxes	188,318	181,662	422,854	592,517
Net income	$ 763,418	$ 620,417	$ 1,502,537	$ 1,632,125
Earnings per share of common stock:				
Net income, basic	$ 0.30	$ 0.24	$ 0.59	$ 0.63
Net income, diluted	$ 0.30	$ 0.24	$ 0.59	$ 0.63
Dividends declared	$ 0.14	$ 0.14	$ 0.28	$ 0.28
Weighted average shares outstanding	2,548,196	2,582,290	2,548,017	2,601,845
Diluted average shares outstanding	2,556,093	2,592,188	2,556,175	2,612,174

SOUTHWEST GEORGIA FINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	For The Three Months Ended June 30, (Unaudited) 2008	(Unaudited) 2007	For The Six Months Ended June 30, (Unaudited) 2008	(Unaudite 2007
Net income	763,418	620,417	1,502,537	1,632,12
Other comprehensive income, net of tax:				
Unrealized gain(loss) on securities available for sale, net of tax expense (benefit) of $(1,134,042) and $(94,924) for the quarter $(1,085,984) and $(90,205) for the year	(2,201,376)	(183,970)	(2,107,846)	(175,10
Total comprehensive income	(1,437,958)	436,447	(605,309)	1,457,02

SOUTHWEST GEORGIA FINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

For The Six Months
Ended June 30,

	(Unaudited) 2008	(Unaudited) 2007
Cash flows from operating activities:		
Net income	$ 1,502,537	$ 1,632,125
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	360,457	367,550
Net amortization and (accretion) of investment securities	(47,072)	(5,763)
Amortization of intangibles	123,124	242,757
Net loss(gain) on sale and disposal of assets	(12,500)	(11,390)
Funds held related to mortgage banking activities	(156,892)	1,169,594
Change in:		
Other assets	766,018	172,190
Other liabilities	6,374	(352,976)
Net cash provided by operating activities	2,542,046	3,214,087
Cash flows from investing activities:		
Proceeds from calls and maturities of securities held to maturity	72,900,000	4,000,000
Proceeds from calls, paydowns and maturities of securities AFS	17,674,309	2,370,102
Purchase of securities held to maturity	(260,000)	0
Purchase of securities available for sale	(81,009,264)	(219,800)
Net change in loans	(13,388,316)	(5,286,826)
Purchase of premises and equipment	(174,122)	(257,364)
Proceeds from sales of other assets	102,500	22,500
Net cash provided(used) for investing activities	(4,154,893)	628,612
Cash flows from financing activities:		
Net change in deposits	3,746,686	(1,410,271)
Payment of short-term debt and short-term portion of long-term debt	(15,000,000)	(5,000,000)
Proceeds from issuance of short-term debt	10,000,000	0
Proceeds from issuance of long-term debt	0	5,000,000
Cash dividends paid	(713,394)	(725,228)
Payment for common stock	(63,773)	(1,142,225)
Net cash provided(used) for financing activities	(2,030,481)	(3,277,724)
Increase(decrease) in cash and cash equivalents	(3,643,328)	564,975
Cash and cash equivalents - beginning of period	18,733,968	12,384,777
Cash and cash equivalents - end of period	$ 15,090,640	$ 12,949,752
NONCASH ITEMS:		
Increase in foreclosed properties and decrease in loans	$ 0	$ 150,763
Unrealized gain(loss) on securities available for sale	$(3,194,069)	$(265,309)

SOUTHWEST GEORGIA FINANCIAL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Basis of Presentation

Southwest Georgia Financial Corporation (the "Corporation"), a bank-holding company organized under the laws of Georgia, provides deposit, lending, and other financial services to businesses and individuals primarily in the Southwest region of Georgia. The Corporation and its subsidiaries are subject to regulation by certain federal and state agencies.

The accompanying unaudited consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and therefore do not include all information and footnotes necessary for a fair presentation of financial position, results of operations, and changes in financial position in conformity with generally accepted accounting principles. The interim financial statements furnished reflect all adjustments which are, in the opinion of management, necessary to a fair statement of the results for the interim periods presented. The interim consolidated financial statements should be read in conjunction with the Corporation's 2007 Annual Report on Form 10-K.

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of Southwest Georgia Financial Corporation and Subsidiaries (the "Corporation") conform to generally accepted accounting principles and to general practices within the banking industry. The following is a description of the more significant of those policies.

Principles of Consolidation

The consolidated financial statements include the accounts of Southwest Georgia Financial Corporation and its wholly-owned direct and indirect Subsidiaries, Southwest Georgia Bank (the "Bank") and Empire Financial Services, Inc. ("Empire"). All significant intercompany accounts and transactions have been eliminated in the consolidation.

Nature of Operations

The Corporation offers comprehensive financial services to consumer, business, and governmental customers through its banking offices in southwest Georgia. Its primary deposit products are savings and certificates of deposit, and its primary lending products are consumer and commercial mortgage loans. The Corporation provides, in addition to conventional banking services, investment planning and management, trust management, mortgage banking, and commercial and individual insurance products. Insurance products and advice are provided by the Bank's Southwest Georgia Insurance Services Division. Mortgage banking for primarily commercial properties is provided by Empire, a mortgage banking services subsidiary.

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Use of Estimates

The preparation of financial statements in conformity with 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Material estimates that are particularly susceptible to significant change relate to the determination of the allowance for loan losses and the valuation of real estate acquired in connection with foreclosures or in satisfaction of loans. In connection with these evaluations, management obtains independent appraisals for significant properties.

A substantial portion of the Corporation's loans are secured by real estate located primarily in Georgia. Accordingly, the ultimate collection of these loans is susceptible to changes in the real estate market conditions of this market area.

Cash and Cash Equivalents and Statement of Cash Flows

For purposes of reporting cash flows, the Corporation considers cash and cash equivalents to include all cash on hand, deposit amounts due from banks, interest-bearing deposits in other banks, and federal funds sold. The Corporation maintains its cash balances in several financial institutions. Accounts at the financial institutions are secured by the Federal Deposit Insurance Corporation up to $100,000. Uninsured deposits aggregate to $6,692,205 at June 30, 2008.

Investment Securities

Debt securities that management has the positive intent and ability to hold to maturity are classified as "held to maturity" and recorded at amortized cost. Securities not classified as held to maturity or trading, including equity securities with readily determinable fair values, are classified as "available for sale" and recorded at fair value with unrealized gains and losses reported in other comprehensive income.

Purchase premiums and discounts are recognized in interest income using the interest method over the terms of the securities. 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. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

Premises and Equipment

Premises and equipment are stated at cost, less accumulated depreciation and amortization. Depreciation has been calculated primarily using the straight-line method for buildings and building improvements over the assets estimated

useful lives. Equipment and furniture are depreciated using the modified accelerated recovery system method over the assets estimated useful lives for financial reporting and income tax purposes for assets purchased on or before December 31, 2003. For assets acquired since 2003, the Corporation used the straight-line method of depreciation. The following estimated useful lives are used for financial statement purposes:

Land improvements	5 - 31 years
Building and improvements	10 - 40 years
Machinery and equipment	5 - 10 years
Computer equipment	3 - 5 years
Office furniture and fixtures	5 - 10 years

All of the Corporation's leases are operating leases and are not capitalized as assets for financial reporting purposes. Maintenance and repairs are charged to expense and betterments are capitalized.

Long-lived assets are evaluated regularly for other-than-temporary impairment. If circumstances suggest that their value may be impaired and the write-down would be material, an assessment of recoverability is performed prior to any write-down of the asset. Impairment on intangibles is evaluated at each balance sheet date or whenever events or changes in circumstances indicate that the carrying amount should be assessed. Impairment, if any, is recognized through a valuation allowance with a corresponding charge recorded in the income statement.

Loans and Allowances for Loan Losses

Loans are stated at principal amounts outstanding less unearned income and the allowance for loan losses. Interest income is credited to income based on the principal amount outstanding at the respective rate of interest except for interest on certain installment loans made on a discount basis which is recognized in a manner that results in a level-yield on the principal outstanding.

Accrual of interest income is discontinued on loans when, in the opinion of management, collection of such interest income becomes doubtful. Accrual of interest on such loans is resumed when, in management's judgment, the collection of interest and principal becomes probable.

Fees on loans and costs incurred in origination of most loans are recognized at the time the loan is placed on the books. Because loan fees are not significant, the results on operations are not materially different from the results which would be obtained by accounting for loan fees and costs as amortized over the term of the loan as an adjustment of the yield.

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.

The allowance for loan losses is established through a provision for loan losses charged to expense. Loans are charged against the allowance for loan losses when management believes the collection of the principal is unlikely. The allowance is an amount which management believes will be adequate to absorb estimated losses on existing loans that may become uncollectible based on evaluation of the collectability of loans and prior loss experience. This evaluation takes into consideration such factors as changes in the nature and volume of the loan portfolios, current economic conditions that may affect the borrowers' ability to pay, overall portfolio quality, and review of specific problem loans.

Management believes that the allowance for loan losses is adequate. While management uses available information to recognize losses on loans, future additions to the allowance may be necessary based upon changes in economic conditions. Also, various regulatory agencies, as an integral part of their examination process, periodically review the Corporation's allowance for loan losses. Such agencies may require the Corporation to recognize additions to the allowance based on their judgments of information available to them at the time of their examination.

Foreclosed Assets

Properties acquired through, or in lieu of, loan foreclosure are held for sale and are initially recorded at the lower of cost or fair value at the date of foreclosure, establishing a new cost basis. Subsequent to foreclosure, valuations are periodically performed by management and the assets are carried at the lower of carrying amount or fair value less cost to sell. Revenue and expenses from operations and changes in the valuation allowance are included in net expenses from foreclosed assets.

Credit Related Financial Instruments

In the ordinary course of business, the Corporation has entered into commitments to extend credit, including commitments under credit card arrangements, commercial letters of credit, and standby letters of credit. Such financial instruments are recorded when they are funded.

Retirement Plans

The Corporation and its subsidiaries have retirement plans covering substantially all employees. The Corporation makes annual contributions to the plans in amounts not exceeding the regulatory requirements.

Income Taxes

The Corporation, the Bank and its' subsidiary file a consolidated income tax return. The Bank's subsidiary provides for income taxes based on its contribution to income taxes (benefits) of the consolidated group.

Deferred income tax assets and liabilities result from temporary differences between the tax basis of assets and liabilities and their reportable amounts in the financial statements that will result in taxable or deductible amounts in future years. Recognition of deferred tax assets is based on management's belief that it is more likely than not that the tax benefit associated with certain temporary differences and tax credits will be realized.

Recent Accounting Pronouncements

In February 2007, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 159 (The Fair Value Option for Financial Assets and Financial Liabilities). The statement permits entities to choose to measure many financial instruments and certain other items at fair value. The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. The effective date for entities that elect to apply its provisions is as of the beginning of an entity's first fiscal year that begins after November 15, 2007. The effect of applying the provisions of this statement should the Corporation elect to apply its provisions have not been determined.

On December 31, 2006, the Corporation adopted Statement of Financial Accounting Standards No. 158, Employer's Accounting for Deferred Benefit Pension and Other Postretirement Plans. The adoption date requirement for this standard was for fiscal year ending after December 15, 2006. This standard requires an employer to recognize in its statement of financial position an asset for a pension retirement plan's overfunded status or a liability for an underfunded status. The Corporation's funded status of pension retirement plan is the difference between the fair value of the plan assets and the projected benefit obligation on December 31, 2007.

In September 2006, the Emerging Issue Task Force (EITF) issued EITF Issue No. 06-4, "Accounting for Deferred Compensation and Postretirement Benefit Aspects of Endorsement Split-Dollar Life Insurance Arrangements," (EITF 06-4). EITF 06-4 requires the accrual of post-retirement benefit over the service period. EITF 06-4 is effective for fiscal years beginning after December 31, 2007. The Corporation does not anticipate the new accounting principle to have a material effect on its financial position or results of operation.

In June 2006, the Financial Accounting Standards Board issued Interpretation No. 48 (Accounting for Uncertainty in Income Taxes). This document is an interpretation of Statement No. 109 (Accounting for Income Taxes). The interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The interpretation also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. The interpretation was initially effective for fiscal years beginning after December 15, 2006 but has been extended until 2008. The effect of applying the provisions of the interpretation has not been determined.

Trust Department

Trust income is included in the accompanying consolidated financial statements on the cash basis in accordance with established industry practices. Reporting of such fees on the accrual basis would have no material effect on reported income.

Servicing and Origination Fees on Loans

The Corporation from the Bank's subsidiary, Empire, recognizes as income in the current period all loan origination and brokerage fees collected on loans originated and closed for investing participants. Loan servicing fees are based on a percentage of loan interest paid by the borrower and recognized over the term of the loan as loan payments are received. Empire does not directly fund any mortgages and acts as a service-oriented broker for participating mortgage lenders. Fees charged for continuing servicing fees are comparable with market rates charged in the industry. Based on these facts and after a thorough analysis and evaluation of deferred mortgage servicing costs as defined under FASB 122 and amended by FASB 140, they are insignificant and immaterial to be recognized. Late charges assessed on past due payments are recognized as income by the Corporation when collected.

Advertising Costs

It is the policy of the Corporation to expense advertising costs as they are incurred. The Corporation does not engage in any direct-response advertising and accordingly has no advertising costs reported as assets on its balance sheet. Costs expensed during the second quarter of 2008 were $39,248 and $87,879 for the six-month period.

NOTE 2

FAIR VALUE MEASUREMENTS AND FAIR VALUE OPTION

Fair Value Measurements

The Corporation adopted SFAS 157, "Fair Value Measurements," on January 1, 2008. SFAS 157 establishes a framework for measuring fair value, expands disclosures about fair value measurements and provides new income recognition criteria for certain derivative contracts. SFAS 157 requires that a fair value measurement reflect assumptions market participants would use in pricing an asset or liability.

SFAS 157 defines "fair value" as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal market, or if none exists, the most advantageous market, for the specific asset or liability at the measurement date (referred to as an exit price). SFAS 157 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The three levels of the fair value hierarchy under SFAS 157 are:

Level 1	Quoted prices (unadjusted) in active markets for identical assets or liabilities at the measurement date.
Level 2	Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.
Level 3	Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable.

A financial instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. SFAS 157 requires the Corporation to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

Determination of Fair Value

In determining fair value, the Corporation uses market prices of the same or similar instruments whenever such prices are available. A fair value measurement assumes that an asset or liability is exchanged in an orderly transaction between market participants, and accordingly, fair value is not determined based upon a forced liquidation or distressed sale.

Securities Activities

When available, the Corporation uses quoted market prices in active markets to determine the fair value of securities. Such instruments are classified within Level 1 of the fair value hierarchy. Examples include exchange-traded equity securities and some highly liquid government securities such as U.S. Treasuries.

When instruments are traded in secondary markets and quoted market prices do not exist for such securities, the Corporation generally relies on internal valuation techniques or on prices obtained from independent vendors. The majority of fair values derived using internal valuation techniques are verified against prices obtained from independent vendors. Vendors compile prices from various sources and often apply matrix pricing for similar securities when no price is observable. Securities measured with these internal valuation techniques are generally classified within Level 2 of the hierarchy and often involve using quoted market prices for similar securities, pricing models or discounted cash flow analyses using inputs observable in the market where available. Examples include corporate bonds and U.S. Government agency and Government-sponsored entity mortgage-backed securities and collateralized mortgage obligations.

Items Measured at Fair Value on a Recurring Basis

The following table presents the Corporation's assets that are measured at fair value on a recurring basis at June 30, 2008, for each of the fair value hierarchy levels.

		Fair Value Measurements at June 30, 2008 Using (Dollars in thousands)		
Description	Fair Value Measurements 6/30/08	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Observable Inputs (Level 3)
Assets:				
Investment Securities available for sale	$ 91,631	$ 3,749	$ 87,882	$ 0
Total assets at fair value	$ 91,631	$ 3,749	$ 87,882	$ 0

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward-Looking Statements

In addition to historical information, this Form 10-Q report contains forward-looking statements within the meaning of the federal securities laws. The Corporation cautions that there are various factors that could cause actual results to differ materially from the anticipated results or other expectations expressed in the Corporation's forward-looking statements; accordingly, there can be no assurance that such indicated results will be realized.

These factors include risks related to the Corporation's construction and land development loans; asset quality; the adequacy of the allowance for loan losses; technology difficulties or failures; the Corporation's ability to execute its business strategy; the loss of key personnel; competition; changes in regulation and monetary policy; losses due to fraudulent and negligent conduct of customers, service providers and employees; acquisitions or dispositions of assets or internal restructuring, that may be pursued by the Corporation; changes in or application of environmental and other laws and regulations to which the Corporation is subject; political, legal and local economic conditions and developments; financial market conditions and the results of financing efforts; changes in commodity prices and interest rates; weather, natural disasters and other catastrophic events; and other factors discussed in the Corporation's other filings with the Securities and Exchange Commission.

Readers are cautioned not to place undue reliance on any forward-looking statements made by or on behalf of the Corporation. Any such statement speaks only as of the date the statement was made. The Corporation undertakes no obligation to update or revise any forward-looking statements. Additional information with respect to factors that may cause results to differ materially from those contemplated by such forward-looking statements is included in the Corporation's current and subsequent filings with the Securities and Exchange Commission.

Overview

The Corporation is a full-service community bank holding company headquartered in Moultrie, Georgia. The community of Moultrie has been served by the Corporation and its predecessors since 1928. We provide comprehensive financial services to consumer, business and governmental customers, which, in addition to conventional banking products, include a full range of mortgage banking, trust, investment and insurance services. Our primary market area incorporates Colquitt County, where we are headquartered, and Baker, Thomas, Lowndes, and Worth Counties, each contiguous with Colquitt County. We have four full service banking facilities, six automated teller machines, and one loan production office.

Our strategy is to:

* maintain the diversity of our revenue, including growth in both interest and noninterest income through a broad base of business,
* strengthen our sales and marketing efforts while developing our employees to provide the best possible service to our customers,
* expand our market share where opportunity exists, and
* grow outside of our current geographic footprint, through acquisitions, into areas proximate to our current market area.

We believe that investing in sales and marketing in this challenging market will provide us with a competitive advantage. To that end, we have continued with our plans to expand geographically with a loan production office in Valdosta, Georgia. We have leadership in place and are looking to identify a permanent site for a de novo branch.

The Corporation's profitability, like most financial institutions, is dependent to a large extent upon net interest income, which is the difference between the interest received on earning assets, such as loans, securities and federal funds sold, and the interest paid on interest-bearing liabilities, principally deposits and borrowings. Net interest income is highly sensitive to the fluctuations in interest rates. This quarter the Federal Reserve Bank lowered short-term rates by 25 basis points to 2.00% after dropping the rate by 2% during the first quarter of 2008 and 1% in the latter part of 2007. After holding the banks overnight borrowing rate at 5.25% for 15 months, the Federal Reserve has decreased the short-term interest rate by 3.25% since September 2007. With the rapid change in the Federal funds rate, there was the same movement in our prime-indexed adjustable loan rates. This rapid drop in the prime-indexed loan yields combined with lagging changes in the interest cost of certificates of deposit and other interest-bearing funds makes it a very challenging rate environment in order to maintain our interest rate spread.

Our profitability is impacted as well by operating expenses such as salaries and employee benefits, occupancy and other operating expenses, including income taxes. Our lending activities are significantly influenced by regional and local factors. Some specific factors include changes in population, competition among lenders, interest rate conditions and prevailing market rates on competing uses of funds and investments, customer preferences and levels of personal income and savings in the Corporation's primary market area.

To address interest rate fluctuations out of our control, we manage our balance sheet in an effort to diminish the impact of sudden interest rates changes by broadening our revenue sources to reduce the risk and exposure of our financial results to the impact of changes in interest rates, which is outside of our control. As a result of our strategy to diversify revenue, noninterest income has grown over the last few years and was 63% of second quarter 2008 net interest income and 28% of second quarter 2008 total revenue. Sources of noninterest income include our insurance agency and Empire, the Corporation's commercial mortgage banking subsidiary, as well as fees on customer accounts, trust and retail brokerage services.

Critical Accounting Policies

In the course of the Corporation's normal business activity, management must select and apply many accounting policies and methodologies that lead to the financial results presented in the consolidated financial statements of the Corporation. Management considers the accounting policy relating to the allowance for loan losses to be a critical accounting policy because of the uncertainty and subjectivity inherent in estimating the levels of allowance needed to cover probable credit losses within the loan portfolio and the material effect that these estimates can have on the Corporation's results of operations. We believe that the allowance for loan losses as of June 30, 2008 is adequate, however, under adversely different conditions or assumptions, future additions to the allowance may be necessary. There have been no significant changes in the methods or assumptions used in our accounting policies that require material estimates and assumptions. Note 1

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to the Consolidated Financial Statements provides a description of our significant accounting policies and contributes to the understanding of how our financial performance is reported.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity management involves the ability to meet the cash flow requirements of customers who may be either depositors wanting to withdraw their funds or borrowers needing assurance that sufficient funds will be available to meet their credit needs. In the ordinary course of business, the Corporation's cash flows are generated from interest and fee income as well as from loan repayments and the maturity or sale of other earning assets. In addition, liquidity is continuously provided through the acquisition of new deposits and borrowings or the rollover of maturing deposits and borrowings. The Corporation strives to maintain an adequate liquidity position by managing the balances and maturities of interest-earning assets and interest-earning liabilities so its short-term investments balance, at any given time, will adequately cover any reasonably anticipated immediate need for funds. Additionally, the Bank maintains relationships with correspondent banks that could provide funds on short notice, if needed.

The liquidity and capital resources of the Corporation are monitored on a periodic basis by state and Federal regulatory authorities. As determined under guidelines established by these regulatory authorities, the Bank's liquidity ratios at June 30, 2008, were considered satisfactory. At that date, the Bank's short-term investments were adequate to cover any reasonably anticipated immediate need for funds. Due to the drop in the short-term rate by the Federal Reserve, as expected we have had $7 million of our callable securities called in the second quarter of 2008, and a total of $86 million callable securities called in the past six months. When the investment securities are called by the issuers, we continue to improve our net interest income and profitability by repositioning our callable securities balance. We reinvest these proceeds from called investment securities in new loans, new investment securities, and to repay debt. The Corporation is aware of no events or trends likely to result in a material change in liquidity. At June 30, 2008, the Corporation's and the Bank's risk-based capital ratios were considered adequate based on guidelines established by regulatory authorities. During the six months ended June 30, 2008, total capital decreased $1.383 million to $25.1 million. The majority of this decrease was a result of recording unrealized losses on securities available for sale due to temporary market rate changes.

Under a share repurchase program adopted by the Board in January 2000, the Corporation repurchased 1,800 shares of its common stock during the first six months of 2008 at an average price of $17.75 per share. The share repurchase authorization expired in January 2008 and as part of its capital management planning, the Corporation and its Board of Directors elected not to extend the authorization. For the six-month period of 2007, the Corporation repurchased 58,700 shares of its common stock at an average price of $19.46 per share. Also, the Corporation continues to maintain a healthy level of capital adequacy as measured by its equity-to-asset ratio of 9.3% as of June 30, 2008. The Corporation is not aware of any events or trends likely to result in a material change in capital resources other than the effects of normal operations on the retention of net earnings, and paying dividends to shareholders. Also, the Corporation's management is not aware of any current recommendations by the regulatory authorities which, if they were implemented, would have a material effect on the Corporation's capital resources.

RESULTS OF OPERATIONS

The Corporation's results of operations are determined by its ability to effectively manage interest income and expense, to minimize loan and investment losses, to generate noninterest income and to control noninterest expense. Since interest rates are determined by market forces and economic conditions beyond the control of the Corporation, the ability to generate net interest income is dependent upon the Bank's ability to obtain an adequate spread between the rate earned on interest-earning assets and the rate paid on interest-bearing liabilities. Thus, the key performance measure for net interest income is the interest margin or net yield, which is taxable-equivalent net interest income divided by average earning assets.

Performance Summary

The Corporation's net income after taxes for the three-month period ending June 30, 2008, was $764 thousand compared with a net income of $620 thousand for the same period in 2007, representing an increase of $144 thousand. The majority of the increase in quarterly earnings was due to lower interest expense on deposits and debt and a decrease in the amortization of intangible assets.

On a per share basis, net income for the second quarter increased 25% to $.30 per diluted share compared with $.24 per diluted share for the same quarter in 2007. The weighted average common diluted shares outstanding for the quarter were 2.556 million, down 1.4% from the previous year's comparable quarter.

For the first six months of 2008, net income was $1.503 million compared with net income of $1.632 million for the same period in 2007. Earnings per diluted share for the first six months of 2008 were $0.59, down 6.4% compared with earnings per diluted share of $.63 for the same period in 2007. Lower net income was primarily due to $540 thousand, or 29%, lower revenue from the Corporation's mortgage banking subsidiary, Empire Financial. The Corporation continues to expend a great deal of resources on four problem loans serviced by Empire. Our focus has been on resolving the problems in the current portfolio rather than originating new loans. Empire's performance should improve when credit markets become more normalized, more funding sources are available and the problem loans are resolved.

We measure our performance on selected key ratios, which are provided for the previous five quarterly periods ended June 30, 2008.

	2nd Qtr 2008	1st Qtr 2008	4th Qtr 2007	3rd Qtr 2007	2nd Qtr 2007
Return on average total assets	1.10%	1.03%	(.99)%	1.09%	0.85%
Return on average total equity	11.43%	10.85%	(9.91)%	11.17%	8.92%
Average shareholders' equity to Average total assets	9.60%	9.47%	9.95 %	9.76%	9.57%
Net interest margin (tax equivalent)	3.97%	3.75%	3.36 %	3.71%	3.72%

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Comparison of Statements of Income for the Quarter

Noninterest income, which was 28.2% of the Corporation's total revenue for the quarter, was $1.487 million for the second quarter, up 3% from the same period in 2007. The largest contributor to noninterest income, mortgage banking services, increased 6.6% to $612 thousand compared with last year's second quarter. The level and timing of recognizing income from the mortgage banking business is dependent on many factors related to originating and closing relatively large commercial mortgage loans, and therefore can fluctuate from quarter to quarter. Currently, the mortgage banking business has a strong pipeline of approximately $405 million in projects. In addition to fees generated through the lending process, it also earns fees for servicing a $382 million portfolio of non-recourse loans. The increase in mortgage banking revenue combined with higher revenue from retail brokerage and insurance services more than offset the 3.3% decline in revenue from service charges on deposit accounts which was $407 for the quarter. Revenue from insurance services increased to $266 thousand, a 3.1% increase compared with the second quarter of 2007, while brokerage service revenue was also up $6 thousand.

Total interest income decreased $255 thousand, or 6.3%, for the three months ended June 30, 2008 compared with the same period in 2007. This decline for the three-month period resulted from decreases in interest and fees on loans. This decrease was partially offset by an increase in interest and dividends on securities available for sale.

Total interest expense decreased $294 thousand, or 17.1%, in the second quarter of 2008 compared with the same period in 2007. Interest on deposits decreased $213 thousand, or 15.3%, during the second quarter of 2008, and interest on total borrowings decreased $81 thousand during the period. Looking ahead, the challenge will be to manage funding costs in a higher rate environment. Our focus on cost discipline, retaining and expanding customer relationships, and identifying acquisition opportunities are central to the core components of our growth strategy.

The primary source of revenue for the Corporation is net interest income, which is the difference between total interest income on earning assets and interest expense on interest-bearing sources of funds. Net interest income for the second quarter of 2008 was $2.37 million compared with $2.33 million for the same period in 2007 as lower levels and costs of borrowing as well as lower costs of deposits offset the decline in interest income. Interest income was impacted by the 3.25% drop in the prime rate since August 2007. In addition, the Corporation sold its retail credit card portfolio in the third quarter of 2007 and placed a large, fully secured loan on interest nonaccrual late last year. The Corporation's net interest margin improved to 3.97% for the second quarter of 2008, compared with 3.72% from the same period a year ago, and compared with 3.75% for the first quarter 2008. Total interest expense was $1.429 million for the second quarter, down $294 thousand from the same period a year ago, due primarily to decreased interest expense on deposits. The average rate paid on interest-bearing time deposits decreased 46 basis points for the quarter compared with the same period a year ago.

No provision for loan losses was recorded for the second quarter of 2008 and 2007 due to the quality of the loan portfolio and the adequacy of the allowance for loan losses.

Noninterest expense decreased to $2.901 million from $2.967 million for the second quarter of last year. The bulk of this decrease was due to a $69 thousand, or 57%, decline in the amortization of mortgage servicing intangible assets. The purchased mortgage service intangible asset was fully amortized during the first quarter of 2008. The decrease in data processing expense was mainly attributable to a reduction of servicing time required because of the sale of the retail credit card loan portfolio. Higher occupancy expense was mostly related to a new loan production office which opened this year.

Comparison of Statements of Income for the Six-month Period

For the first six months of 2008, noninterest income was $3.199 million, down 14.9% from the same period in 2007. The majority of the decline was a result of mortgage banking services revenue decreasing $540 thousand, or 29.4%, from the same period last year. Income from insurance services decreased $8 thousand, or 1.3%, revenue from trust services decreased $5 thousand, or 3.6%, and service charges on deposit accounts decreased $33 thousand, or 3.9 %. These decreases in revenue were partially offset by an increase in income from retail brokerage services of $15 thousand, or 8.7%, when compared with the same period last year.

For the first six months of 2008, total interest income decreased $328 thousand when compared with the same period in 2007. This decrease in the six-month period of 2008 was primarily due to a $447 thousand decrease in interest and fees on loans resulting from lower levels and costs of borrowings compared with the same period last year.

Total interest expense for the six-month period ended June 30, 2008 decreased $381 thousand, or 11.1%, compared with the same period in 2007. Over this period, the average balances on interest-bearing deposits decreased $1.401 million. However, the decrease in interest expense was primarily related to lower rates paid on interest-bearing deposits. The rate on time deposits decreased 27 basis points comparing the first six months of 2008 with the same period in 2007. Interest on long-term debt decreased $231 thousand, or

61.3%, for the first six months of 2008, while interest on other short-term borrowings increased $145 thousand for the first six months of 2008 on increased short-term debt.

Net interest income for the first six months of 2008 was slightly higher at $4.684 million compared with $4.632 million for the same period in 2007 as a result of higher yields on investment securities and lower interest paid on deposits which were partially offset by a decline in interest earned on loans. Net interest margin was 3.86% for the first six months of 2008, an improvement of 16 basis points from the same period a year ago.

The six-month provision for loan losses of $0 remained unchanged from the comparable period of 2007. Noninterest expense decreased $210 thousand for the first six months of 2008 compared with the same period last year, due primarily to reductions in salary and employee benefits, data processing expense, and amortization of intangible assets. The decrease in salary and employee benefits was mainly the result of a decline in incentive compensation related to our mortgage banking operations. The intangible asset associated with the purchase of the mortgage servicing business was fully amortized during the first quarter. The decrease in data processing expense was attributable to the divestiture of our retail credit card loan portfolio, and the increase in occupancy expense was the result of expenses

from opening a loan production office. The year to year change in other operating expenses was mainly due to a large reimbursed legal expense in 2007.

Comparison of Financial Condition Statements

At June 30, 2008, total assets were down to $268.9 million from $287.4 million at mid-year 2007. Total loans increased 1.4% to $132.4 million compared with $130.6 million at June 30, 2007, and increased $13.4 million from the end of 2007. Deposits declined slightly to $220.5 million at the end of the second quarter of 2008, from $225.3 million from the same period in 2007.

The Corporation's loan portfolio of $132.4 million increased 11.3% from the December 31, 2007, level of $119.0 million. Some of this loan growth was originated from strong local economic development due to affordability of real estate and abundance of natural resources. The Corporation continues to be conservative in its lending practices in order to maintain a quality loan portfolio. Loans, a major use of funds, represent 49.3% of total assets.

Investment securities and other short-term investments which include federal funds sold and interest-bearing deposits in banks represent 42.4% of total assets. Investment securities decreased $12.5 million and short-term investments decreased $4.7 million since December 31, 2007. This resulted in an overall decrease in investments of $17.2 million. This decrease in investment securities was due to the $85 million of callable U.S. Government Agency securities which were called by the issuers and $5.6 million of the maturing securities during the first six months of 2008. The majority of the proceeds were reinvested in securities and the rest was used to fund the $13.4 million increase in loans and to payoff $5 million in borrowings.

Deposits decreased to $220.5 million at the end of the second quarter of 2008 down $4.8 million from the same period in 2007 and up $3.7 million from the end of last year. At June 30, 2008, total deposits represented 82.0% of total assets.

The following table shows the major contractual obligations for the Corporation.

Long-term debt consists of the following:	June 30, 2008	December 31, 2007	June 30, 2007
Advance from Federal Home Loan Bank with a 2.85% fixed rate of interest maturing March 11, 2013. (convertible to a variable rate at option of Federal Home Loan Bank on March 11, 2008).	0	0	5,000,000
Advance from Federal Home Loan Bank with a 3.85% fixed rate of interest maturing April 30, 2014, (convertible to a variable rate at option of Federal Home Loan Bank on April 30, 2009).	0	10,000,000	10,000,000
Advance from Federal Home Loan Bank with a 5.24% fixed rate of interest maturing February 6, 2009.	0	5,000,000	5,000,000
Advance from Federal Home Loan Bank with a 5.21% fixed rate of interest due in annual installments maturing December 17, 2008.	0	0	228,571
Total long-term debt	$ 0	$15,000,000	$20,228,571
Total short-term debt	20,114,000	10,114,000	10,000,000
Total debt	$20,114,000	$25,114,000	$30,228,571

The allowance for loan losses represents a reserve for potential losses in the loan portfolio. The adequacy of the allowance for loan losses is evaluated monthly based on a review of all significant loans, with a particular emphasis on nonaccruing, past due, and other loans that management believes require attention.

Other factors used in determining the adequacy of the reserve are management's judgment about factors affecting loan quality and their assumptions about the local and national economy. The allowance for loan losses was 1.80% of total loans outstanding at June 30, 2008, compared with 2.02% of loans outstanding at December 31, 2007. Non-performing assets as a percentage of total assets were 1.19%, a 35 basis point increase over last year. The increase in non-performing assets is primarily related to one large, fully secured commercial real estate loan. Management considers the allowance for loan losses as of June 30, 2008, adequate to cover potential losses in the loan portfolio.

Off-Balance Sheet Arrangements

In the normal course of business, we are a party to financial instruments with off-balance-sheet risk to meet the financing needs of our customers and reduce risk exposure to fluctuations in interest rates. These financial instruments include commitments to extend credit in the form of loans or through letters of credit. The instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amounts recognized in the financial statements. Since many of the commitments to extend credit and standby letters of credit are expected to expire without being drawn upon, the contractual or notional amounts do not represent future cash requirements.

Financial instruments whose contract amounts represent credit risk (dollars in thousands):	June 30, 2008	June 30, 2007
Commitments to extend credit	$ 20,718	$ 19,299
Standby letters of credit and financial guarantees	$ 10	$ 36

The Corporation does not have any special purpose entities or off-balance sheet financing arrangements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Corporation's primary market risk lies within its exposure to interest rate movement. The Corporation has no foreign currency exchange rate risk, commodity price risk, or any other material market risk. The Corporation has no trading investment portfolio. As a result, it does not hold any market risk-sensitive instruments, which would be subject to a trading environment characterized by volatile short-term movements in interest rates. Also, the Corporation has no interest rate swaps, or other derivative instruments, that are both designated and effective as hedges or modify the interest rate characteristics of specified assets or liabilities. The Corporation's primary source of earnings, net interest income, can fluctuate with significant interest rate movements. To lessen the impact of these movements, the Corporation seeks to maximize net interest income while remaining within prudent ranges of risk by practicing sound interest rate sensitivity management. The Corporation attempts to accomplish this objective by structuring the balance sheet so differences in repricing opportunities between assets and liabilities are minimized. Interest rate sensitivity refers to the responsiveness of earning assets and interest-bearing liabilities to changes in market interest rates. The Corporation's interest rate risk management is carried out by the Asset/Liability Management Committee operating under policies and guidelines established by Management. The principal objective of asset/liability management is to manage the levels of interest-sensitive assets and liabilities to minimize net interest income fluctuations in times of fluctuating market interest rates. To effectively measure and manage interest rate risk, the Corporation uses computer simulations that determine the impact on net interest income of numerous interest rate scenarios, balance sheet trends and strategies. These simulations cover the following financial instruments: short-term financial instruments, investment securities, loans, deposits, and borrowings. These simulations incorporate assumptions about balance sheet dynamics, such as loan and deposit growth and pricing, changes in funding mix, and asset and liability repricing and maturity characteristics. Simulations are run under various interest rate scenarios to determine the impact on net income and capital. From these computer simulations, interest rate risk is quantified and appropriate strategies are developed and implemented. The Corporation maintains an investment portfolio that staggers maturities and provides flexibility over time in managing exposure to changes in interest rates. At any point in time, any imbalances in the repricing opportunities constitute a financial institution's interest rate sensitivity.

The Corporation uses a number of tools to measure interest rate risk. One of the indicators for the Corporation's interest rate sensitivity position is the measurement of the difference between its rate-sensitive assets and rate-sensitive liabilities, referred to as the "gap." A gap analysis displays the earliest possible repricing opportunity for each asset and liability category based upon contractual maturities and repricing. As of June 30, 2008, the Corporation's one-year cumulative rate-sensitive assets represented 84% of the cumulative rate-sensitive liabilities compared with 102% at prior year end and 68% at the same period a year ago. This level of cumulative gap is a result of the Corporation's management of its exposure to interest rate risk. We are less liability-sensitive at the one year gap position compared with being more liability-sensitive in the previous year. These changes in assets and liabilities occurred in: (1) increase in investment securities that will mature or have the potential of being called within one year, (2) increase in short-term investments, and (3) decrease in money market deposit type of accounts. This reduction in liability sensitive position will decrease the

Corporation's exposure to changing interest rates. All interest rates and yields do not adjust at the same velocity; therefore, the interest rate sensitivity gap is only a general indicator of the potential effects of interest rate changes on net interest income. The Corporation's asset and liability mix is monitored ensuring the effects of interest rate movements in either direction are not significant over time.

ITEM 4(T). CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

The Corporation's management, including the Chief Executive Officer and Chief Financial Officer, supervised and participated in an evaluation of the effectiveness of its disclosure controls and procedures (as defined in federal securities rules) as of the end of the period covered by this report. Based on, and as of the date of, that evaluation, the Corporation's Chief Executive Officer and Chief Financial Officer have concluded that the Corporation's disclosure controls and procedures were effective in accumulating and communicating information to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosures of that information under the Securities and Exchange Commission's rules and forms and that the Corporation's disclosure controls and procedures are designed to ensure that the information required to be disclosed in reports that are filed or submitted by the Corporation under the Securities Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

Management's Annual Report on Internal Control over Financial Reporting

The Corporation's management is responsible for establishing and maintaining adequate internal control over financial reporting. Management's assessment of the effectiveness of the Corporation's internal control over financial reporting as of December 31, 2007 was included in Item 8 of the 10K form, dated December 31, 2007, under the heading "Management's Report on Internal Controls Over Financial Reporting".

The annual report form 10K, dated December 31, 2007, does not include an attestation report of the Corporation's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Corporation's registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permits the Corporation to provide only management's report in the annual report.

Changes in Internal Control over Financial Reporting

No changes were made to the Corporation's internal control over financial reporting during this quarter that materially affected or could reasonably likely to materially affect the Corporation's internal controls over financial reporting.

PART II. - OTHER INFORMATION

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

The annual meeting of the shareholders of the Corporation was held on May 27, 2008. Total shares eligible to vote amounted to 2,547,837. A total of 1,916,995 shares (75.24%) were represented by shareholders in attendance or by proxy.

The following directors were elected to serve one year until the next annual meeting.

Director	Votes For	Votes Withheld
Cecil H. Barber	1,867,154	49,841
John J. Cole, Jr.	1,866,083	50,912
DeWitt Drew	1,791,222	125,773
Michael J. McLean	1,867,154	49,841
Richard L. Moss	1,866,954	50,041
Roy H. Reeves	1,861,374	55,621
Johnny R. Slocumb	1,907,290	9,705
Marcus R. Wells	1,866,954	50,041
Lane M. Wear	1,867,154	49,841

Director Emeritus:
Leo T. Barber, Jr.
John H. Clark
Robert M. Duggan
E. J. McLean, Jr.
Jack Short
Mrs. Hugh Turner
Violet K. Weaver
C. Broughton Williams, Jr.

ITEM 6. EXHIBITS

Exhibit 31.1	Section 302 Certification of Periodic Financial Report by Chief Executive Officer.
Exhibit 31.2	Section 302 Certification of Periodic Financial Report by Chief Financial Officer.
Exhibit 32.1	Section 906 Certification of Periodic Financial Report by Chief Executive Officer.
Exhibit 32.2	Section 906 Certification of Periodic Financial Report by Chief Financial Officer.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SOUTHWEST GEORGIA FINANCIAL CORPORATION

BY: /s/ George R. Kirkland

GEORGE R. KIRKLAND
SENIOR VICE-PRESIDENT AND TREASURER
(FINANCIAL AND ACCOUNTING OFFICER)

Date: August 14, 2008