

PRELIMINARY OFFICIAL STATEMENT DATED NOVEMBER 27, 2012

**NEW ISSUE
BANK QUALIFIED**

**RATING: Moody's: "Aa3"
See "BOND RATING" herein.**

In the opinion of Bond Counsel, based upon laws, regulations, rulings and decisions, and assuming continuing compliance with certain covenants made by the City, interest on the Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax, upon the conditions and subject to the limitations set forth herein under the caption "TAX EXEMPTION." Receipt of interest on the Bonds may result in other federal income tax consequences to certain holders of the Bonds. In the opinion of Bond Counsel, interest on the Bonds is also exempt from income tax by the Commonwealth of Kentucky, and the Bonds are exempt from ad valorem taxation by the Commonwealth of Kentucky and any of its political subdivisions.

\$4,675,000*
CITY OF GLASGOW, KENTUCKY
WATER AND SEWER
REFUNDING REVENUE BONDS
SERIES 2012

Dated: Date of Initial Delivery

Due: May 15, as shown below

Interest on the Bonds is payable each May 15 and November 15, beginning May 15, 2013. The Bonds shall be registered initially in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds. Investors will not receive certificates representing their interest in the Bonds purchased and such individual purchases will be made in book-entry form only, in the denomination of \$5,000 or any integral multiple thereof. Principal of and premium, if any, on the Bonds will be payable at the designated corporate trust office of Branch Banking and Trust Company, Wilson, North Carolina, Paying Agent, Transfer Agent and Registrar. The Bonds are not subject to optional redemption prior to maturity.

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by ASSURED GUARANTY MUNICIPAL CORP.



The Bonds and the interest thereon are payable from the income and revenues to be derived from the operation of the City's combined and consolidated water and sewer system (the "System"). The Bonds are limited obligations of the City and do not constitute an indebtedness or a pledge of the full faith and credit or the taxing power of the City within the meaning of any constitutional or statutory provision or limitation. The Bonds will mature in their respective years as set forth on the inside front cover.

FOR MATURITIES, INTEREST RATES AND PRICES OR YIELDS, SEE THE INSIDE COVER

The Bonds are offered when, as and if issued and accepted by the Underwriters, subject to the approval of legality and tax exemption by Rubin & Hays, Bond Counsel, Louisville, Kentucky.

Electronic or sealed bids to be opened December 4, 2012 at 1:00 P.M. (E.T.) in the City Clerk's office at the Glasgow City Hall, Glasgow, Kentucky. Delivery of the Bonds is expected on or about December 20, 2012.

J.J.B. HILLIARD, W.L. LYONS, LLC
Financial Advisor

**Preliminary, subject to adjustment*

MATURITY SCHEDULE

\$4,675,000*

CITY OF GLASGOW, KENTUCKY

WATER AND SEWER

REFUNDING REVENUE BONDS

SERIES 2012

<u>Year of Maturity</u>	<u>Amount*</u>	<u>Interest Rate</u>	<u>Price or Yield</u>	<u>CUSIP #</u>
2013	\$ 15,000	%		
2014	70,000			
2015	485,000			
2016	485,000			
2017	495,000			
2018	500,000			
2019	505,000			
2020	515,000			
2021	525,000			
2022	535,000			
2023	545,000			

**Preliminary, subject to adjustment*

REGARDING USE OF THIS OFFICIAL STATEMENT

This Official Statement does not constitute an offering of any security other than the original offering of the Bonds of the City identified on the cover page hereof. No person has been authorized by the City to give any information or to make any representation other than that contained in the Official Statement, and if given or made such other information or representation must not be relied upon as having been given or authorized by the City or J.J.B. Hilliard, W.L. Lyons, LLC, the Financial Advisor. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, and there shall not be any sale of the City of Glasgow, Kentucky Water and Sewer Refunding Revenue Bonds, Series 2012 by any person in any jurisdiction in which it is unlawful to make such offer, solicitation or sale.

The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City since the date hereof.

Neither the Securities and Exchange Commission nor any other federal, state or other governmental entity or agency, except the City, will pass upon the accuracy or adequacy of this Official Statement or approve the Bonds for sale.

Other than with respect to information concerning Assured Guaranty Municipal Corp. ("Assured Guaranty") contained under the caption "Bond Insurance" and Exhibit G specimen "Municipal Bond Insurance Policy" herein, none of the information in this Official Statement has been supplied or verified by Assured Guaranty and Assured Guaranty makes no representation or warranty, express or implied, as to (i) the accuracy or completeness of such information; (ii) the validity of the Bonds; or (iii) the tax exempt status of the interest on the Bonds.

Assured Guaranty Municipal Corp. ("AGM") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "BOND INSURANCE" and "Appendix G - Specimen Municipal Bond Insurance Policy".

This Official Statement includes the front cover page immediately preceding this page and all Appendices hereto.

CITY OF GLASGOW, KENTUCKY

Mayor
Rhonda Trautman

City Council

Harold Armstrong
Brad Groce
Stacy Hammer
Wendell Honeycutt
Doug Isenberg
Jim Marion

James Neal
Freddie Norris
Eldon Smith
William Webb
Linda Wells
Marlin Witcher

City Clerk/Administrator
Tommie Birge

City Treasurer
Stephanie Gossett

City Attorney
Ben Rogers

**GLASGOW WATER COMPANY/
GLASGOW WATER AND SEWER COMMISSION**

Board of Commissioners
Jerry Botts, *Chairman*
Buddy Underwood, *Vice Chairman*
Woodford L. Gardner, Jr., *Secretary/Treasurer*
Jim Marion, *Council Representative*
Rhonda Trautman, *Mayor-Member*

Manager
Scott Young

BOND COUNSEL

Rubin & Hays
Louisville, Kentucky

FINANCIAL ADVISOR

J.J.B. Hilliard, W.L. Lyons, LLC
Louisville, Kentucky

BOND REGISTRAR AND PAYING AGENT

Branch Banking and Trust Company
Wilson, North Carolina

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OFFICIAL STATEMENT
\$4,675,000*
CITY OF GLASGOW, KENTUCKY
WATER AND SEWER
REFUNDING REVENUE BONDS
SERIES 2012

INTRODUCTORY STATEMENT

This Official Statement is furnished in conjunction with the offering by the City of Glasgow, Kentucky (the "City") of \$4,675,000* principal amount of its Water and Sewer Refunding Revenue Bonds, Series 2012 (the "Bonds").

The Bonds will be issued under and in full compliance with the Constitution and Statutes of the Commonwealth of Kentucky including, among others, Sections 58.010 through 58.140, inclusive, of the Kentucky Revised Statutes. The Bonds will be issued in accordance with an ordinance (the "Ordinance") to be enacted by the City Council of the City on November 27, 2012.

The Bonds constitute legal, valid and binding special obligations of the City, payable from and secured by a first pledge of and a first lien on the gross income and revenues to be derived by the City from the operation of its combined and consolidated water and sewer system (the "System").

THE BONDS ARE NOT GENERAL OBLIGATIONS OF THE CITY BUT ARE SPECIAL AND LIMITED OBLIGATIONS PAYABLE ONLY FROM THE SOURCES HEREIN IDENTIFIED. THE BONDS DO NOT CONSTITUTE AN INDEBTEDNESS OR CHARGE AGAINST THE GENERAL CREDIT OF THE CITY, AGAINST THE TAXING POWER OF THE CITY OR AGAINST THE GENERAL CREDIT OR TAXING POWER OF THE COMMONWEALTH OF KENTUCKY.

The proceeds from the sale of the Bonds will be applied by the City to provide for funds for the advance refunding of the City of Glasgow, Kentucky Water and Sewer Revenue Bonds, Series 2003A, dated September 1, 2003 that mature May 15, 2015 through May 15, 2023, inclusive (the "Refunded Bonds"), and to pay all costs incident to the issuance of the Bonds.

The City does not intend to accept any bid that is submitted for the purchase of less than the entire aggregate principal amount of either series of the Bonds.

*Preliminary, subject to adjustment

THE BONDS

General

The Bonds will be dated the date of initial delivery thereof, will bear interest from that date as described herein, payable semi-annually on May 15 and November 15 of each year commencing May 15, 2013. The Bonds will mature on May 15 of each year, in the years and in the principal amounts as set forth on the inside front cover page of this Official Statement.

Registration, Payment and Transfer

The Bonds are to be issued in denominations of \$5,000 and any integral multiple thereof.

All Bonds shall be registered as to both principal and interest on the registration books maintained at the designated corporate trust office of Branch Banking and Trust Company, Wilson, North Carolina, acting as registrar (the "Registrar"). No transfer of any Bonds shall be valid unless made on said books at the request of the registered owner in person or by his attorney duly authorized in writing, and similarly noted on such Bond. Bonds may be exchanged for Bonds of other authorized denominations upon surrender of the Bonds to be exchanged to the Registrar with a written request for such exchange, duly executed by the owner thereof or by his duly authorized attorney. The Registrar shall not be required to transfer or exchange any Bond during any period beginning 5 days prior to the selection by the Registrar of the Bonds to be redeemed prior to maturity and ending on the date of mailing of notice of any such redemption or if such Bond has been selected or called for redemption in whole or in part. The person in whose name a Bond is registered upon the books of the City shall be deemed the owner thereof for all purposes.

Interest on each Bond shall be payable by check or draft mailed to the registered owner thereof as of the first day of the month immediately preceding that date for payment of such interest at the address shown on the registration books kept by the Registrar. The principal of and premium, if any, on the Bonds shall be payable, without exchange or collection charges, in lawful money of the United States of America upon their presentation and surrender as they respectively become due and payable, whether at maturity or by prior redemption, at the designated corporate trust office of the Registrar.

Denominations and Places of Payment

If the Bonds are issued in book-entry form to The Depository Trust Company ("DTC"), New York, New York or its nominee, Cede & Co., they shall be held in DTC's book-entry only system. So long as the Bonds are held in the book-entry only system, DTC (or a successor securities depository) or its nominee will be the registered owner or holder of the Bonds for all purposes of the Ordinance, the Bonds and this Official Statement. See "Book-Entry Only System" below.

In the event that the Bonds are not held in a book-entry only system, the principal of and any premium on the Bonds will be payable when due upon presentation and surrender thereof at the designated corporate trust office of the Paying Agent in Wilson, North Carolina. Interest on the Bonds is to be paid on each Interest Payment Date to the persons in whose name the Bonds are registered (the "Bondowners") at the address appearing on the registration books for the Bonds (the "Register") on the last day of the month preceding the applicable Interest Payment Date by check or draft which the Paying Agent shall cause to be mailed on such Interest Payment Date. If and to the extent that the City fails to make payment or provision for payment of interest on any Bond on an Interest Payment Date, the Paying Agent will establish a special record date for the payment of that defaulted interest, as described in the Ordinance.

Book-Entry Only System

The following information about the book-entry only system applicable to the Bonds has been supplied by DTC. The City, the Paying Agent, the Financial Advisor or the Underwriter make no representations, warranties or guarantees with respect to its accuracy or completeness.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written

confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents.

For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and

corresponding detail information from the City or the Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the City or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

DTC Letter of Representations

Certain duties of DTC and procedures to be followed by DTC and the Paying Agent will be set forth in a Letter of Representation (the "DTC Letter of Representations") among the City, the Paying Agent and DTC. In the event of any conflict between the provisions of the Ordinance and the provisions of the DTC Letter of Representations relating to delivery of Bonds to the Paying Agent, the provisions of the DTC Letter of Representations shall control.

Revision of Book-Entry System: Replacement Bonds

The Ordinance provides for the issuance and delivery of fully registered Bonds (the "Replacement Bonds") directly to owners other than DTC only in the event that DTC determines not to continue to act as securities depository for the Bonds.

Upon occurrence of such event, the City may attempt to establish a securities depository book-entry relationship with another securities depository. If the City does not do so, or is unable to do so, and after the Paying Agent has notified the Beneficial Owners or their representatives with respect to the Bonds by appropriate notice to DTC, the City will issue and the Paying Agent will authenticate and deliver Replacement Bonds with minimum denominations of \$5,000 to the assignees of the Depository or its nominee.

In the event that the book-entry only system is discontinued, the principal or redemption price of and interest on the Bonds will be payable in the manner described above in the second paragraph under "THE BONDS-Denomination and Payment of Bonds", and the following provisions would apply. The Bonds may be transferred or exchanged for one or more Bonds in different authorized denominations upon surrender thereof at the designated corporate trust office of the Paying Agent as Registrar or at the designated office of any Authenticating Agent (initially, the Paying Agent) by the registered owners or their duly authorized attorneys or legal representatives. Upon surrender of any Bonds to be transferred or exchanged, the City will execute, and the Registrar will record the transfer or exchange in its registration books and the Registrar or Authenticating Agent shall authenticate and deliver, new Bonds appropriately registered and in appropriate authorized denominations. Neither the City, the Registrar nor any Authenticating Agent shall be required to transfer or exchange any Bond during a period beginning at the opening of business 15 days before the day of the mailing of a notice of redemption of the Bonds and ending at the close of business on the day of such mailing, nor any Bond all or part of which has been selected for redemption.

Optional Redemption

The Bonds are not subject to optional redemption prior to their stated maturities.

Paying Agent and Registrar

The City has engaged Branch Banking and Trust Company, Wilson, North Carolina as paying agent, transfer agent and registrar for the Bonds (the "Paying Agent", "Transfer Agent" and "Registrar"). In the Ordinance, the City has retained the right to replace the Paying Agent, Transfer Agent and Registrar.

Registration

The Registrar is required to maintain, on behalf of the City, a bond register in which will be maintained a current list of all owners of the Bonds and an accurate record of all registrations, transfers and exchanges relating to such Bonds.

The Bonds may be transferred or exchanged upon presentation and surrender thereof at the designated corporate trust office of the Registrar. The Registrar shall not be required to transfer or exchange any Bond: (i) during the period beginning five (5) days prior to the selection by the Registrar of Bonds to be redeemed prior to maturity and ending on the date of mailing of notice of any such redemption or (ii) if such Bond has been selected or called for redemption in whole or in part.

No service charge shall be made for any transfer or exchange of Bonds, but the City or the Registrar may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any transfer or exchange of Bonds exception the

case of the issuance of a Bond or Bonds for the unredeemed portion of a Bond surrendered for redemption.

Notice and Effect of Redemption

Notice of any redemption shall be given not less than 30 and not more than 60 days prior to a mandatory redemption date for the Bonds by first class United States mail, to each owner of Bonds to be redeemed, at the address of such owners appearing on the registration books of the Registrar at the time such notice of redemption is mailed.

Interest on the Bonds so called for redemption shall cease to accrue on the redemption date specified in said notice provided funds are available at the place of redemption to redeem the Bonds when presented. The Bonds so redeemed prior to maturity shall be surrendered for cancellation and not reissued.

Record Date for Interest Payment

The record date ("Record Date") for the interest payable on any Interest Payment Date means the last day of the month preceding each Interest Payment Date.

In the event of a non-payment of interest on one or more maturities on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment for such maturity or maturities ("Special Record Date") will be established by the Registrar, if and when funds for the payment of such interest have been received from the City. Notice of the Special Record Date and of the scheduled payment date of the past due interest ("Special Payment Date" which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class, postage prepaid, to the address of each owner of a Bond of such maturity or maturities appearing on the books of the Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Assured Guaranty Municipal Corp. ("AGM") will issue its Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as an exhibit to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

Assured Guaranty Municipal Corp.

AGM is a New York domiciled financial guaranty insurance company and a wholly owned subsidiary of Assured Guaranty Municipal Holdings Inc. ("Holdings"). Holdings is an indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO". AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, infrastructure and structured finance markets. No shareholder of AGL, Holdings or AGM is liable for the obligations of AGM.

AGM's financial strength is rated "AA-" (stable outlook) by Standard and Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P") and "Aa3" (on review for possible downgrade) by Moody's Investors Service, Inc. ("Moody's"). An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM's long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings

On March 20, 2012, Moody's issued a press release stating that it had placed AGM's "Aa3" insurance financial strength rating on review for possible downgrade. On October 30, 2012, Moody's indicated that it anticipated resolving its review during the first half of November 2012. AGM can give no assurance as to any further ratings action that Moody's may take. Reference is made to the press release, a copy of which is available at www.moody's.com, for the complete text of Moody's comments.

On November 30, 2011, S&P published a Research Update in which it downgraded AGM's financial strength rating from "AA+" to "AA-". At the same time, S&P removed the financial strength rating from CreditWatch negative and changed the outlook to stable. AGM can give no assurance as to any further ratings action that S&P may take. Reference is made to the Research Update, a copy of which is available at www.standardandpoors.com, for the complete text of S&P's comments.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2011,

its Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2012, its Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2012, and its Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2012.

Capitalization of AGM

At September 30, 2012, AGM's consolidated policyholders' surplus and contingency reserves were approximately \$3,263,902,433 and its total net unearned premium reserve was approximately \$2,153,794,346, in each case, in accordance with statutory accounting principles.

AGM's statutory financial statements for the fiscal year ended December 31, 2011, for the quarterly period ended March 31, 2012, for the quarterly period ended June 30, 2012, and for the quarterly period ended September 30, 2012, which have been filed with the New York State Department of Financial Services and posted on AGL's website at <http://www.assuredguaranty.com>, are incorporated by reference into this Official Statement and shall be deemed to be a part hereof.

Incorporation of Certain Documents by Reference

Portions of the following documents filed by AGL with the Securities and Exchange Commission (the "SEC") that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

- (i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2011 (filed by AGL with the SEC on February 29, 2012);
- (ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2012 (filed by AGL with the SEC on May 10, 2012);
- (iii) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2012 (filed by AGL with the SEC on August 9, 2012); and
- (iv) the Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2012 (filed by AGL with the SEC on November 9, 2012).

All information relating to AGM included in, or as exhibits to, documents filed by AGL pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, after the filing of the last document referred to above and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at <http://www.sec.gov>, at AGL's website at <http://www.assuredguaranty.com>, or will be provided upon request to Assured Guaranty Municipal Corp.: 31 West 52nd Street, New York, New York 10019, Attention: Communications Department (telephone (212) 826-0100).

Any information regarding AGM included herein under the caption "BOND INSURANCE – Assured Guaranty Municipal Corp." or included in a document incorporated by reference herein (collectively, the "AGM Information") shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

Miscellaneous Matters

AGM or one of its affiliates may purchase a portion of the Bonds or any uninsured bonds offered under this Official Statement and such purchases may constitute a significant proportion of the bonds offered. AGM or such affiliate may hold such Bonds or uninsured bonds for investment or may sell or otherwise dispose of such Bonds or uninsured bonds at any time or from time to time.

AGM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "BOND INSURANCE".

SECURITY FOR THE BONDS

Security and Source of Payment

The Bonds, ranking on a parity with the outstanding (i) City of Glasgow, Kentucky Water and Sewer Revenue Bonds, Series 2003A, dated September 1, 2003 (the "Series 2003A Bonds") in the original principal amount of \$8,285,000, authorized by an Ordinance enacted by the City Council of the City on September 23, 2003 and (ii) City of Glasgow, Kentucky Water and Sewer Refunding Revenue Bonds, Series 2009, dated May 28, 2009 (the "Series 2009 Bonds") in the original principal amount of \$1,025,000, authorized by an Ordinance enacted by the City Council of the City on May 28, 2009 [hereinafter the Series 2003A Bonds and the Series 2009 Bonds will be collectively referred to as the "Prior Bonds" and the ordinances authorizing the Prior Bonds will be collectively referred to as the "Prior Bond Ordinance"], and together with any subsequently issued series of parity bonds constitute legal, valid and binding special obligations of the City, payable solely from and secured by a first pledge of the gross income and revenues derived by the City from the operation of the System.

THE BONDS ARE NOT GENERAL OBLIGATIONS OF THE CITY BUT ARE SPECIAL AND LIMITED OBLIGATIONS PAYABLE ONLY FROM THE SOURCES HEREIN IDENTIFIED. THE BONDS DO NOT CONSTITUTE AN INDEBTEDNESS OR CHARGE AGAINST THE GENERAL CREDIT OF THE CITY, AGAINST THE TAXING POWER OF THE

CITY OR AGAINST THE GENERAL CREDIT OR TAXING POWER OF THE COMMONWEALTH OF KENTUCKY.

Flow of Funds

The Ordinance prescribes that all income and revenues derived by the City from the operation of the System shall be deposited in a separate and special fund designated the City of Glasgow, Kentucky Water and Sewer Revenue Fund. All moneys in such fund shall be apportioned to the various funds and accounts set forth below in the following manner and order of priority:

Sinking Fund: The Ordinance specifies that there shall be deposited, on or before the 25th day of each month, in the Sinking Fund an amount sufficient to satisfy the payment of the amounts required to be deposited into the Sinking Fund and the Debt Service Reserve Account listed below; which account has been created within the Sinking Fund:

- a. *Sinking Fund:* A sum equal to one-sixth (1/6) or such lesser or greater amount necessary to accumulate an amount to pay, the next succeeding interest installment to become due on the Prior Bonds, the Bonds and any outstanding parity bonds; plus a sum equal to one-twelfth (1/12) or such lesser or greater amount necessary to accumulate an amount to pay the principal of the Prior Bonds, the Bonds and any outstanding parity bonds on the next succeeding principal payment date.
- b. *Debt Service Reserve Account:* Monthly amounts equal to at least one-twelfth of the Reserve Requirement under the terms of the Ordinance until the balance therein equals such Reserve Requirement; provided, however, that the requirement of funding a Debt Service Reserve Account shall be considered satisfied and there need be no cash deposits into the Debt Service Reserve Account as long as the amount on deposit therein shall equal the Reserve Requirement under the terms of the Ordinance. Amounts in this account shall be used solely for the payment of the principal of and interest on the Bonds and any parity bonds to be outstanding under the terms of the Ordinance as to which there would otherwise be a default.

The Ordinance defines the "Reserve Requirement" to mean an amount, as of any particular date of computation, equal to the lesser of (i) 10% of the proceeds of the Bonds, (ii) 100% of the greatest amount required in the then current or any future Bond Year to pay the principal and interest requirements on the Prior Bonds, the Bonds and any outstanding parity bonds, or (iii) 125% of the average of the annual principal and interest requirements on the Prior Bonds, the Bonds and any outstanding parity bonds.

In the event a drawing is made from the Debt Service Reserve Account, the City, from revenues of the System, shall be obligated to restore any moneys withdrawn

so that, within twelve months following such drawing or withdrawal, the amount on deposit in the Debt Service Reserve Account equals the Reserve Requirement under the terms of the Ordinance.

Depreciation Fund: Amounts on deposit in the Depreciation Fund may be used for making repairs or improvements caused by any depreciation in the system and to make extensions, additions or constructions to the system or to meet payment of interest on or principal of revenue bonds to whatever extent and if for any reason funds in the Sinking Fund and the Debt Service Reserve are insufficient for that purpose. The monthly payments and deposits into said Depreciation Fund prescribed in the Ordinance shall be continued until, despite such withdrawals as may be made from the Depreciation Fund for the authorized purposes thereof, a balance shall be accumulated in the sum of \$200,000; and thereafter, when by reason of withdrawals for authorized purposes such balance is reduced to less than \$200,000 (as represented by cash or the market value of investments for the account of said fund), the aforesaid monthly payments or deposits shall be resumed and continued, as before, until restoration of the accumulated balance to said sum of \$200,000, at the rate of \$1,000 per month or 20% of the net annual income and revenues of the System, whichever is greater.

Operation and Maintenance Fund: So long as any Bonds payable from the revenues of the System remain outstanding and unpaid, the Ordinance requires that there shall be deposited monthly into the Operation and Maintenance Fund, from moneys remaining in the Revenue Fund, after making the transfers described above, which are cumulative, sufficient funds to meet the current expenses of operating and maintaining the System, and to accrue an operation and maintenance reserve equal to estimated requirements for a three-month period pursuant to the annual budget for the System.

Surplus Fund: If and whenever, on July 1 of any year, all specified and required transfers and payments into the special funds hereinabove provided have been made and there is a balance on deposit in the Revenue Fund in excess of the amount required to be transferred during the ensuing two months of the ensuing year (commencing on July 1 of each calendar year and ending on the next succeeding June 30) into said special funds, all or any part of such excess may, within 60 days after such July 1, be used as follows:

- (1) To retire or redeem outstanding Bonds in inverse order of maturities in accordance with the terms thereof;
- (2) To purchase Bonds at the sole option and discretion of the City, at a price not to exceed the then applicable or next applicable redemption price of such respective series of bonds;
- (3) To transfer additional amounts to the Debt Service Reserve Account, the Operation and Maintenance Fund and/or the Depreciation Fund;
- (4) To repay amounts, if any, drawn under a reserve account insurance policy, including interest thereon;
- (5) To pay the debt service requirements of any outstanding subordinate obligations payable from the income and revenues of the System; or

- (6) For any other lawful corporate purpose of the City related solely to the System.

Rate Covenant

While any Bonds remain outstanding and unpaid, the rates for all services and facilities rendered by the System to the City and to its citizens, corporations, or others requiring the same, shall be reasonable and just, taking into account and consideration the cost and value of said System, the cost of maintaining and operating the same, the proper and necessary allowances for depreciation thereof, and the amounts necessary for the retirement of the outstanding Bonds and the accruing interest on all such Bonds as may be outstanding, and there shall be charged such rates and amounts as shall be adequate to meet all requirements of the provisions of the Prior Bond Ordinance and the Bond Ordinance.

The City covenants that it will not reduce the rates and charges for the services rendered by the System without first filing with the City Clerk a certification of an Independent Consulting Engineer that the annual net revenues (defined as gross revenues less current expenses) of the then existing System for the fiscal year preceding the year in which such reduction is proposed, as such Net Annual Revenues are adjusted, after taking into account the projected reduction in "Net Annual Revenues" anticipated to result from any such proposed rate decrease, are equal to not less than 120% of the maximum annual debt service requirements for principal and interest on all of the then outstanding Bonds payable from the revenues of the System.

The City also covenants to cause a report to be filed with the City Council within four months after the end of each fiscal year by (a) Certified Public Accountants, or (b) Independent Consulting Engineers, setting forth what was the precise debt service coverage percentage of the maximum annual debt service requirements falling due in any fiscal year thereafter for principal of and interest on all of the then outstanding Bonds payable from the revenues of the System, produced or provided by the net revenues of the System in that fiscal year; and the City covenants that if and whenever such report so filed shall establish that such coverage of net revenues for such year was less than 120% of the maximum debt service requirements, the City shall increase the rates by an amount sufficient, in the opinion of such Engineers and/or Accountants, to establish the existence of or immediate projection of, such minimum 120% coverage.

Parity Bonds

No bonds or other obligations secured by a lien on the revenues or properties of the System superior or prior to the lien thereon securing the Bonds may be issued.

Additional bonds, secured on a parity with the Bonds as to security and source of payment, may be issued in accordance with the following conditions:

(1) That before any such additional Parity Bonds may be so issued, there shall have been procured and filed with the City Clerk either:

(a) a statement by a Certified Public Accountant not in the regular employ of the City on a monthly salary basis, reciting the opinion based upon necessary investigation that the net annual revenues of said system for twelve (12) consecutive months out of the preceding eighteen (18) months were equal to at least 125% of the maximum amount that will become due in any fiscal year for both principal of and interest on any Bonds then outstanding and the Parity Bonds then proposed to be issued; or

(b) a projection by an Independent Consulting Engineer having national recognition in the field of water and sanitation engineering, based upon the facts shown in an accountant's report as in (a) above, and with such Engineer's adjustments of gross revenues, operating expenses and net revenues as in his opinion may be warranted by increased rates then in effect and/or additional revenues, if any, which are reasonably to be anticipated from such additions, extensions and improvements, showing that the net annual revenues of said System as so adjusted by such Consulting Engineer will be equal to at least 125% of the maximum amount that will become due in any fiscal year for both principal of and interest on any Bonds then outstanding and the Parity Bonds then proposed to be issued; and

(2) That interest payment dates for any such additional Parity Bonds shall be on May 15 and November 15 of each year.

"Net Revenues" as herein used are defined as gross revenues less operating expenses, which shall include salaries, wages, cost of maintenance and operation, materials and supplies, administration and insurance, as well as all other items as are normally and regularly included under recognized accounting practices, exclusive of allowances for depreciation.

The additional Parity Bonds, the issuance of which is restricted and conditioned by the Ordinance, shall be understood to mean Bonds payable from the revenues pledged ranking on a basis of parity with the Bonds previously issued under the Prior Bond Ordinance, and the Bonds specifically authorized in this Bond Ordinance and shall not be deemed to include other bonds or obligations the security and source of payment of which are subordinate and subject to the priority thereof. The City expressly reserves the right to issue its bonds or other obligations payable from the revenues herein pledged and not ranking on a parity with the Bonds without any proof of previous earnings or net revenues, but only if such Bonds or other obligations are issued to provide for additions, extensions or improvements to the System and only if same are issued in express recognition and acknowledgment of the priorities, liens and rights created and existing for the security, source of payment and protection of the said Bonds issued under the Prior Bond Ordinance and the Bonds and any Parity Bonds authorized and permitted to be issued by the Ordinance.

The City further reserves the right to issue one or more additional series of Parity Bonds, for the purpose of refunding or refinancing the outstanding Bonds, or any portion thereof, provided that prior to the issuance of such bonds for that purpose, there shall have been procured and filed with the City Clerk a statement by a Certified Public Accountant reciting the opinion based upon necessary investigation that:

(a) after the issuance of such Parity Bonds, the Net Annual Revenues, as adjusted and defined above, of the then existing System for the fiscal year preceding the date of issuance of such Parity Bonds, after taking into account the revised debt service requirements resulting from the issuance of such Parity Bonds and from the elimination of the Bonds being refunded or refinanced thereby, are equal to not less than 125% of the maximum debt service requirements then scheduled to fall due in any fiscal year thereafter for principal of and interest on all of the then outstanding Bonds payable from the revenues of the System, calculated in the manner specified above; or

(b) in the alternative, that the debt service requirements for the outstanding Bonds payable out of the Sinking Fund and the proposed Parity Bonds, in any year of maturities thereof after the redemption of the outstanding Bonds scheduled to be refunded through the issuance of such proposed Parity Bonds, shall not exceed the scheduled debt service requirements applicable to the Bonds then outstanding for any corresponding year prior to the issuance of such proposed Parity Bonds and the redemption of any of the outstanding Bonds to be refunded.

REFUNDING PROGRAM

The proceeds of the Bonds will be used to advance refund the City of Glasgow, Kentucky Water and Sewer Revenue Bonds, Series 2003A that mature May 15, 2015 through May 15, 2023, inclusive (the "Refunded Bonds"). The advance refunding of the Refunded Bonds will be accomplished pursuant to an Escrow Agreement by and between the City and Branch Banking and Trust Company, Wilson, North Carolina (the "Escrow Agent") by depositing with the Escrow Agent a sum of initial cash and certain non-callable direct obligations of the United States Treasury (collectively, the "Government Obligations"). The funds needed to make the initial cash deposit and to purchase the Government Obligations will be provided from the proceeds of the Bonds.

The Government Obligations to be purchased and deposited with the Escrow Agent will bear interest at such rates and will be scheduled to mature at such times and in such amounts so that, when paid according to their respective terms, sufficient moneys, together with any amounts of cash then on deposit with the Escrow Agent, will be available to fully provide for: (i) the timely payment of the interest on the Refunded Bonds accruing from November 15, 2012 to and including May 15, 2013 (the earliest date on which the Refunded Bonds can be redeemed prior to maturity); and (ii) the redemption on May 15, 2013 at a price equal to 100% of principal amount the Refunded Bonds (maturing on May 15, 2015 through May 15, 2023, inclusive) which as of that date have not been redeemed, retired or otherwise paid, thereby defeasing the pledge of revenues and the property securing the Refunded Bonds.

The Refunding Program is being conducted in order to achieve debt service savings for the System.

SOURCES AND USES OF FUNDS

The table below shows the estimated sources and uses of Bond proceeds and other funds:

Sources of Funds:

Par Amount of Bonds	_____
Transfers from Prior Debt Service Fund	_____
Total Sources of Funds	<u>\$ _____</u>

Use of Funds:

Refunding Program	_____
Bond Insurance Premium	_____
Debt Service Reserve Account Surety Bond	_____
Costs of Issuance ¹	_____
Underwriter's Discount (1.5%)	_____
Miscellaneous	_____
Total Uses of Funds	<u>\$ _____</u>

¹Includes Financial Advisor, Bond Counsel and other issuance costs.

THE CITY

Background

The City of Glasgow, Kentucky, is located in the heart of south-central Kentucky near Mammoth Cave National Park and Barren River Lake State Resort Park. Glasgow is 87 miles northeast of Nashville, Tennessee, 98 miles south of Louisville, Kentucky, and 198 miles southwest of Cincinnati, Ohio. The City is the county seat of Barren County and is a regionally important industrial and commercial center.

The City is governed by a twelve-member City Council of the City consisting of the Mayor and twelve other Councilmembers.

GLASGOW WATER COMPANY/ GLASGOW WATER AND SEWER COMMISSION

The supervision, management and conduct of the system are vested in a municipal commission designated as the Glasgow Water Company and Glasgow Water and Sewer

Commission (the "Commission"). For the purpose of assuring the original purchasers and any subsequent owners or owners of the Bonds of an efficient management, control and operation of the System, the City has covenanted and agreed that so long as any of the Prior Bonds, the Bonds and/or additional Parity Bonds are outstanding, the management, control and operation of the System will continue to be vested in the Commission, which shall not be abolished so long as any of the Bonds are outstanding.

Within the System, the individual water and sewer systems are accounted for and operated as distinct and separate departmental entities.

The Commission members are as follows:

Jerry Botts, Chairman
Buddy Underwood, Vice Chairman
Woodford L. Gardner, Jr., Secretary/Treasurer
Jim Marion, Council Representative
Rhonda Trautman, Mayor-Member

The authority for the establishment of rates is vested exclusively in the City Council of the City and charges for the various services provided by the System is vested exclusively in the Commission.

THE WATER AND SEWER SYSTEM

Water System

The water system provides potable water to all developed areas within the corporate limits of the City and certain areas outside the City limits to include Barren County and serves approximately 16,300 customers.

Glasgow Water Company treats water at two locations with a total treatment capacity of 14.5 million gallons per day ("MGD") with average sales of 7 MGD. The two plants are on different water sources and are served by different power supplies. The Beaver Creek Water Treatment Plant is located on the edge of the northern City limits and has a rated capacity of 2.5 MGD and utilizes Beaver Creek as its source of water. The Barren River Reservoir Water Treatment Plant is located 15 miles south of Glasgow and has a rated capacity of 12 MGD. This plant utilizes Barren River Reservoir (a 10,000 acre Corps of Engineers Lake) for its water source.

The water distribution system is comprised of 877 miles of water mains and encompasses an area of 444 square miles, including the City of Glasgow and areas of Barren County and Allen County. It also includes service to six wholesale customers which sell water in Allen, Barren, Hart, Metcalfe and Monroe Counties. Wholesale customers make up approximately 30% of water revenues. Water storage is provided in the distribution system via eight water storage tanks totaling 5,251,000 gallons. The system serves a total of 17,300 metered services.

Sewer System

The Commission provides sanitary sewer service within the city limits of Glasgow and has begun expansion into other parts of Barren County. The collection system is comprised of 147 miles of sewer mains and the Waste Water Treatment Plant has a capacity of 4.0 MGD with an average flow of 2.0 MGD. There are approximately 5,900 sewer connections within this System.

General System Information

Continuous expansion of the System is realized as approximately \$1,200,000 per year is spent on capital projects. Cash from rates, tap fees, and water and sewer grants provided by the Commonwealth of Kentucky have enabled this to be accomplished utilizing existing cash flows without seeking long-term debt.

The System has been mapped utilizing a computerized Geographical Information System ("GIS"). The GIS includes topographical data such as roads, buildings, contours, etc. coupled with locations of water and sewer mains. The GIS is further networked with other utilities and government agencies which can show relationship with property lines, zoning, other utilities, etc.

Operating and financial data regarding the System is included in Appendix B.

LITIGATION

No litigation or administrative action or proceeding is pending or, to the best of the knowledge of the City, threatened, restraining or enjoining or seeking to restrain or enjoin, the issuance and delivery of the Bonds, the collection of revenues or the use of revenues to pay debt service on the Bonds, or contesting or questioning the proceedings and authority under which the Bonds have been authorized and are to be issued or delivered, or the validity of the Bonds, or to prevent or restrict the operations of the City or the Commission.

There are no pending or threatened legal proceedings materially adversely affecting the ability of the City or the Commission to meet obligations with respect to the Bonds, nor are there any other pending or threatened legal proceedings, other than litigation routinely incidental to the conduct of its affairs to which the City or the Commission is a party.

TAX EXEMPTION

In the opinion of Bond Counsel, based upon certain covenants, representations and certifications of the City, which Bond Counsel has not independently verified, and assuming continuing compliance therewith, as set forth below, interest on the Bonds is excludable from gross income for federal income tax purposes under existing laws, regulations, rulings and decisions in effect of the date of delivery of the Bonds.

The City is required by the Internal Revenue Code of 1986, as amended (the "Code") to comply on an ongoing basis with certain obligations in order for the interest on the Bonds to be and remain excludable from gross income for federal income tax purposes. Failure to meet those obligations could result in the interest on the Bonds becoming subject to federal income taxation, retroactive to the date of the Bonds. The City has covenanted to comply with all such obligations. Provisions of the Code applicable to corporations (as defined for federal income tax purposes), would impose an alternative minimum tax on a portion of the excess of "adjusted current earnings" over "alternative minimum taxable income", and could therefore subject all or a portion of the interest on the Bonds received by corporations to alternative minimum taxation.

Bond Counsel has not opined on any other federal income tax consequences arising for holders of the Bonds. Interest on the Bonds will be included in effectively connected earnings and profits for purposes of computing the branch profits tax on certain foreign corporations doing business in the United States of America. In addition, the Code disallows certain federal income tax deductions of certain financial institutions and property and casualty insurance companies that acquire the Bonds.

In the opinion of Bond Counsel, the Bonds are exempt from ad valorem taxation and interest thereon is exempt from income taxation by the Commonwealth of Kentucky and any political subdivisions thereof.

Prior to any purchase of the Bonds prospective purchasers of the Bonds are advised to consult their own tax advisors as to the impact of the Code, upon their acquisition, holding or disposition of the Bonds.

BANK QUALIFICATION

The Code provides for the disallowance of any deduction for interest expenses incurred by banks and certain other financial institutions attributable to carrying certain tax-exempt obligations, such as the Bonds, acquired after August 7, 1986, except with respect to certain financial institutions (within the meaning of Section 265(b)(5) of the Code). The Bonds are eligible for such limited exception and are considered "qualified tax-exempt obligations" within the meaning of Section 265 of the Code.

DISCLOSURE COMPLIANCE

The City has executed previous undertakings, in order to assist underwriters in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission (the "Rule"), to provide annual reports or notices of material events in accordance with the Rule, but has **failed** to comply, in certain respects, with such undertakings. During the previous five years the City has failed to timely provide its annual financial information with the nationally recognized municipal securities information repositories, the appropriate state information depository, or with the Electronic Municipal Market Access system ("EMMA") at <http://www.emma.msrb.org>.

As of the date of this Official Statement, the City is in compliance with the reporting requirements of the Rule for all undertakings for which they are an "obligated person" as defined in the Rule.

The City will covenant for the benefit of owners of the Bonds to provide certain financial information and operating data relating to the City by not later than one hundred eighty (180) days after the end of each fiscal year (the "Annual Report"), and to provide notices of occurrence of certain enumerated events, if material. The covenants will be contained in a Continuing Disclosure Certificate, the proposed form of which is provided in **Appendix F** (the "Certificate"). The Certificate will be executed on the delivery date of the Bonds.

APPROVAL OF LEGALITY

Legal matters incident to the authorization, issuance, sale and delivery of the Bonds are subject to the approval of Rubin & Hays, Louisville, Kentucky, Bond Counsel. The approving legal opinion of Bond Counsel will be printed on the Bonds and will contain a statement of tax exemption as represented herein. Bond Counsel has reviewed the information herein pertaining to the Bonds under the headings "The Bonds," "Security for the Bonds," "Refunding Program", "Estimated Sources and Uses of Funds," "Tax Exemption" and "Disclosure Compliance" and is of the opinion that such information is a fair summary of the principal provisions of the instruments and information therein described.

ENVIRONMENTAL MATTERS

The City or Commission has obtained all necessary permits and approvals for the operation of the System and it is not aware of any federal or other regulations concerning the operation with which it is presently not in compliance. There is currently no environmental litigation pending or threatened in connection with the System or the operation thereof.

AUTHENTICITY OF INFORMATION

The information and financial data contained herein have been obtained from the City's or the Commission's records, audited financial statements and other sources which are believed to be reliable. Neither the City nor the Commission make any representation as to either the accuracy or completeness of such information and financial data or that there has not been a material change therein since the date of this Official Statement. There is no guarantee that any of the assumptions or estimates contained herein will be realized.

All summaries of statutes, documents and ordinances contained in this Official Statement are made subject to all of the provisions of such statutes, documents and ordinances. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects.

BOND RATING

Moody's Investors Service, Inc. has assigned the Bonds a rating of "Aa3", based upon the insurance commitment secured from Assured Guaranty. In addition, Moody's has assigned an underlying rating of "A1" to the Bonds based upon the credit of the System. Such rating reflects only the opinion of Moody's Investors Service Inc. and an explanation of the significance of such rating may be obtained directly therefrom. There can be no assurance that the rating will continue for any period of time or that it will not be revised downward or withdrawn entirely by such rating agency if, in its judgment, circumstances so warrant. Any revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

FINANCIAL ADVISOR

Prospective bidders are advised that J.J.B. Hilliard, W.L. Lyons, LLC ("Hilliard Lyons") has been employed as Financial Advisor in connection with the issuance of the Bonds. Hilliard Lyons' fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery thereof.

MISCELLANEOUS

The covenants and agreements of the City with the holders of the Bonds are fully set forth in the Ordinance and reference is hereby made to that document for a definitive statement of the rights and obligations of the Bondholders and the City. Neither this Official Statement nor any statement which may have been made orally or in writing is to be construed as a contract with the holders of any of the Bonds. Any statements herein contained involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact.

VERIFICATION OF MATHEMATICAL ACCURACY

Rubin & Hays will verify from the information provided to them the mathematical accuracy as of the date of the closing on the Bonds of (1) the computations contained in the provided schedules to determine that the anticipated receipts from the securities and cash deposits listed in the underwriter's schedules, to be held in escrow, will be sufficient to pay, when due, the principal, interest and call premium payment requirements, if any, of the Refunded Bonds, and (2) the computations of yield on both the securities and the Bonds contained in the provided schedules used by Bond Counsel in its determination that the interest on the Bonds is exempt from tax. Rubin & Hays will express no opinion on the assumptions provided to them.

CONCLUDING STATEMENT

The City has approved and caused this Official Statement to be executed and delivered by its Mayor. In making this Official Statement the City relied upon information furnished to it by the Commission and does not assume any responsibility as to the accuracy or completeness of

any of the information in this Official Statement. The financial information supplied by the Commission and reproduced herein is represented by the Commission to be correct.

No dealer, broker, salesman or other person has been authorized by the City, the Commission or the Financial Advisor to give any information or representations, other than those contained in this Official Statement, and if given or made, such information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of any person in any jurisdiction in which it is unlawful to make such offer, solicitation or sale. Except when otherwise indicated, the information set forth herein has been obtained from the City or the Commission and believed to be reliable; however, such information has not been verified as to accuracy or completeness by, and is not to be construed as a representation by the Financial Advisor or by Bond Counsel. The delivery of this Official Statement at any time does not imply that information herein is correct as of any time subsequent to the date hereof.

CITY OF GLASGOW, KENTUCKY

By _____
Mayor

APPENDICES

Appendix A – Estimated Annual Debt Service Requirements on Series 2012 Bonds

Appendix B – Demographic and Economic Data

Appendix C – Water and Sewer System Operating and Financial Data

Appendix D – Audited Financial Statements for the Periods Ended June 30, 2012 and 2011

Appendix E – Form of Legal Opinion

Appendix F – Form of Continuing Disclosure Agreement

Appendix G – Specimen Municipal Bond Insurance Policy

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APPENDIX A

**CITY OF GLASGOW, KENTUCKY
WATER AND SEWER REVENUE BONDS
SERIES 2012**

Estimated Annual Debt Service Requirements on Series 2012 Bonds

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CITY OF GLASGOW, KENTUCKY
WATER AND SEWER REFUNDING REVENUE BONDS
SERIES 2012

ESTIMATED ANNUAL DEBT SERVICE REQUIREMENTS

Date	Existing Debt Service ⁽¹⁾	Series 2012			Net New D/S
		Principal	Interest	Total P+I	
6/30/2013	\$669,212.50	\$15,000.00	\$36,127.83	\$51,127.83	\$720,340.33
6/30/2014	577,512.50	70,000.00	79,192.50	149,192.50	726,705.00
6/30/2015	158,387.50	485,000.00	78,562.50	563,562.50	721,950.00
6/30/2016	159,262.50	485,000.00	73,470.00	558,470.00	717,732.50
6/30/2017	-	495,000.00	67,650.00	562,650.00	562,650.00
6/30/2018	-	500,000.00	60,967.50	560,967.50	560,967.50
6/30/2019	-	505,000.00	53,467.50	558,467.50	558,467.50
6/30/2020	-	515,000.00	45,135.00	560,135.00	560,135.00
6/30/2021	-	525,000.00	35,607.50	560,607.50	560,607.50
6/30/2022	-	535,000.00	24,845.00	559,845.00	559,845.00
6/30/2023	-	545,000.00	12,807.50	557,807.50	557,807.50
Total	\$1,564,375.00	\$4,675,000.00	\$567,832.83	\$5,242,832.83	\$6,807,207.83

(1) Existing debt service is net of the refunded debt service on the Series 2003A Bonds.

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APPENDIX B

**CITY OF GLASGOW, KENTUCKY
WATER AND SEWER REVENUE BONDS
SERIES 2012**

Demographic and Economic Data

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GLASGOW, KENTUCKY

Glasgow, the county seat of Barren County, is located in the heart of south central Kentucky near Mammoth Cave National Park and Barren River Lake State Resort Park. Glasgow, with a 2010 estimated population of 21,423, is located 95 miles northeast of Nashville, Tennessee; 94 miles south of Louisville, Kentucky; and 197 miles southwest of Cincinnati, Ohio.

Barren County, with a 2011 estimated population of 42,269, has a land area of 491 square miles.

The Economic Framework

The total number of Barren County residents employed in August 2012 averaged 17,512. In 2010, manufacturing firms in the county reported 3,645 employees; trade, transportation and utilities provided 3,085 jobs; 4,735 people were employed in service occupations; informational, financial activities and public administration accounted for 878 employees; and contract construction firms provided 606 jobs.

Labor Supply

There is a current estimated labor supply of 143,764 persons in the labor market area. In addition, from 2012 through 2015, 15,730 young persons in the area will become 18 years of age and potentially available for work. The largest firms in Barren County (as of October 2012) are listed below:

<u>Firm</u>	<u>Product</u>	<u>Average Employment</u>
R.R. Donnelley & Sons Co.	Offset printing, computer typesetting, saddle stitching & binding	800
Akebono Brake Glasgow	Vehicle brake systems	765
Sitel Operating Corporation	Inbound call center	520
JL French Automotives Casting Corp.	Aluminum die cast automotive parts	377
A C K Controls Inc	Automotive control cables	360
Dana Corporation	Heavy duty truck axles & brakes	220
Federal-Mogul Products	Heavy duty truck brake friction blocks	165
Ply-Tech Corp.	Architectural & furniture plywood	125
Bluegrass Dairy and Food LLC	Dehydrated dairy and non-dairy ingredients	110
Lyons Co. Inc.	Sheet metal fabricating, mechanical contractors and engineers	90

Sources: Kentucky Cabinet for Economic Development.

Transportation

The Cumberland Parkway, U.S. 31-E and 68 and Kentucky Route 90 serve Glasgow. Interstate 65 is located only eleven miles northwest. Twenty-one trucking companies provide Glasgow with intrastate and/or interstate service. CSX Transportation provides rail service to Glasgow. Moore Field, two miles northwest of Glasgow, has one paved runway, 4,000 feet long with a 600-foot over-run. The nearest scheduled commercial airline service is located at Nashville International Airport, 93 miles southwest, and the Louisville International Airport, 94 miles north of Glasgow.

Power and Fuel

Electric power is provided to Glasgow by the Glasgow Electric Plant Board, which is supplied by the Tennessee Valley Authority. Barren County is provided electric power by the Farmers Rural Electric Cooperative Corporation. The Western Kentucky Gas Company provides natural gas service to Glasgow.

Education

Primary and secondary education is provided to Glasgow and Barren County by the Caverna Independent, Glasgow Independent and Barren County School Systems. Five colleges and universities are located within 60 miles of Glasgow. The nearest state technical colleges are Bowling Green Technical College Glasgow Campus and the Bowling Green Technical College in Bowling Green. The nearest area technology centers (ATC) are Barren County, ATC in Glasgow; Monroe County ATC in Tompkinsville; and Green County ATC in Greensburg.

Economic Statistics (Barren County)
2007 through 2012

<u>Year</u>	<u>Per Capita Income</u>	<u>Median Family Income</u>	<u>Average Weekly Wage</u>	<u>Unemployment Rate</u>	<u>Civilian Labor Force</u>	<u>Employment</u>
2012	⁽¹⁾	\$49,900	\$621.00 ⁽²⁾	8.0% ⁽³⁾	19,043 ⁽³⁾	17,512 ⁽³⁾
2011	⁽¹⁾	49,300	614.00	10.2	19,421	17,438
2010	27,884	48,500	616.00	12.0	19,195	16,884
2009	26,953	48,600	601.00	12.5	19,494	17,060
2008	27,846	45,800	587.00	6.2	19,454	18,249
2007	26,128	43,700	565.00	5.2	19,599	18,572

Source: Kentucky Department of Economic Development; Bureau of Labor Statistics

(1) Data not available.

(2) As of March 2012

(3) As of August 2012

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APPENDIX C

**CITY OF GLASGOW, KENTUCKY
WATER AND SEWER REVENUE BONDS
SERIES 2012**

**Water and Sewer System
Operating and Financial Data**

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Operating Information

WATER SYSTEM

2012 Water System Rate Structure (effective October 1, 2012) ⁽¹⁾:

<u>All Meter Sizes</u>	<u>Inside City Limits</u>	<u>Outside City Limits</u>
First 2,000 gallons	\$8.42 Minimum	\$12.03 Minimum
Next 18,000 gallons	3.11/1,000 gallons	3.89/1,000 gallons
Next 80,000 gallons	2.46/1,000 gallons	2.91/1,000 gallons
Next 900,000 gallons	2.05/1,000 gallons	2.44/1,000 gallons
Over 1,000,000 gallons	1.95/1,000 gallons	2.04/1,000 gallons

Industrial Water Rate

Industrial customers using over 1,000,000 gallons of water per month shall be billed for all water used at the rate as specified above.

Wholesale Water Rate

ALL USED \$1.95/1,000 gallons

Sprinkler Charge

\$0.025 per sprinkler head per month

Fire Hydrant Charge

\$2.50 per fire hydrant per month

Fire Hydrant Installation: \$2,800

Tapping Charge

<u>Meter Size</u>	<u>Inside City Limits</u>	<u>Outside City Limits</u>
3/4"	\$650.00 Minimum	\$650.00 Minimum
1"	\$750.00	\$750.00
2"	\$2,100.00	\$2,100.00
4" & Greater	Actual Cost Incurred	Actual Cost Incurred

Other Charges/Fees

Service Application Fee \$25.00 next day service / \$50.00 same day service

Termination Fee \$25.00 (During Business Hours)

Tampering Fee \$25.00

Return Check Fee \$25.00

After Hours Reconnection Fee \$25.00

Inspection Fee \$25.00 per hour (minimum 1 hour per inspection trip)

Industrial Pretreatment Permit Fee \$75.00

Commercial Fats, Oil and Grease (FOG) Permit Fee \$25.00

Deposits

No deposit required

2008-2011 Water System Rate Structure:

<u>All Meter Sizes</u>	<u>Inside City Limits</u>	<u>Outside City Limits</u>
First 2,000 gallons	\$7.02 Minimum	\$10.53 Minimum
Next 18,000 gallons	2.26/1,000 gallons	3.39/1,000 gallons
Next 80,000 gallons	1.46/1,000 gallons	2.19/1,000 gallons
Next 900,000 gallons	1.36/1,000 gallons	2.04/1,000 gallons
Over 1,000,000 gallons	1.16/1,000 gallons	1.74/1,000 gallons

Industrial Water Rate

Industrial customers using over 1,000,000 gallons of water per month shall be billed for all water used at the rate as specified above.

¹ Rate increase is expected to increase revenues by approximately \$933,000.

Wholesale Water Rate

ALL USED \$1.95/1,000 gallons

Sprinkler Charge

\$0.025 per sprinkler head per month

Fire Hydrant Charge

\$2.50 per fire hydrant per month

Fire Hydrant Installation: \$2,800

Tapping Charge

<u>Meter Size</u>	<u>Inside City Limits</u>	<u>Outside City Limits</u>
3/4"	\$650.00 Minimum	\$650.00 Minimum
1"	\$750.00	\$750.00
2"	\$2,100.00	\$2,100.00
4" & Greater	Actual Cost Incurred	Actual Cost Incurred

Other Charges/Fees

Service Application Fee \$25.00 next day service / \$50.00 same day service

Termination Fee \$25.00 (During Business Hours)

Tampering Fee \$25.00

Return Check Fee \$25.00

After Hours Reconnection Fee \$25.00

Inspection Fee \$25.00 per hour (minimum 1 hour per inspection trip)

Industrial Pretreatment Permit Fee \$75.00

Commercial Fats, Oil and Grease (FOG) Permit Fee \$25.00

Deposits

No deposit required

Operating Data

	2012	2011	2010	2009
Annual Pumpage	2,584,520,513	2,589,786,222	2,460,902,101	2,795,465,857
Annual Usage	1,939,726,300	1,971,722,200	2,025,742,500	2,084,120,100
Avg Daily Water Pumpage	7,080,878.11	7,095,304.71	6,742,197.53	7,658,810.56
Avg. Daily Water Usage	5,314,318.63	5,401,978.63	5,549,979.45	5,709,918.08
Percent Water Loss ⁽²⁾	25%	24%	18%	26%
Peak Pumpage/Usage	11,446,483	9,631,604	10,150,478	9,258,355
<u>System Capacity (MGD)</u>	14.5	14.5	14.5	14.5

Source: City of Glasgow

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² Percent water loss includes unmetered water given to the City and the Landfill. Glasgow Water Company is in the process of resolving the issue which will cut the percentage by at least half.

Storage Facilities ⁽³⁾

Listed below are the nine storage facilities of the water system and their respective capacities:

Storage Facilities	Capacity (MG)
Lucas WTP	1.85
Beaver Creek WTP	0.565
Burkesville Rd. Tank	2.0
Lexington Drive Tank	1.0
Pritchardsville Tank	0.75
West Main St. Tank	0.581
Love Knob Tank	0.50
Freedom Tank	0.22
Lick Branch Tank	0.20

Customers

Listed below is the total number of customers of the water system for the last five years:

<u>Fiscal Year</u>	<u>Residential</u>	<u>Comm./Industrial</u>	<u>Total</u>
2012	15,017	1,240	16,257
2011	15,032	1,143	16,175
2010	14,948	1,233	16,181
2009	14,903	1,248	16,151
2008	14,860	1,253	16,113
2007	14,699	1,252	15,951

Source: City of Glasgow

Set forth below is a list of the ten largest customers of the water system in terms of quantity of water used during the fiscal years 2008-2012.

Fiscal Year 2012

<u>Customer</u>	<u>Revenue (\$)</u>	<u>% of Revenue</u>	<u>Annual Gallons (MG)</u>
Allen County Water	\$633,090.33	12.11%	324.75
Edmonton Water Works	418,226.48	8.00	214.56
Fountain Run Water	83,645.30	1.60	42.91
Bluegrass Dairy	71,621.28	1.37	58.09
Caveland Environmental	67,439.02	1.29	34.60
T J Samson Hospital	49,141.61	0.94	38.41
Coral Hill Dairy	36,072.03	0.69	17.48
Alcan Composites	35,026.47	0.67	25.73
J L French	29,275.85	0.56	19.87
Barren River State Park	27,707.50	0.53	19.77

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³ Allen County uses approximately 400 MG per year and they do not need storage. We pump it directly to them from tank. They are Glasgow Water Company's largest customer. Recent water increase will be used to add additional storage in 2-4 years.

Fiscal Year 2011

<u>Customer</u>	<u>Revenue (\$)</u>	<u>% of Revenue</u>	<u>Annual Gallons (MG)</u>
Allen County Water District	\$658,628.76	12.13%	337.75
Edmonton Water Works	416,129.86	7.66	213.39
Fountain Run Water District	84,771.20	1.56	43.47
Caveland Environmental	74,061.85	1.36	55.24
Bluegrass Dairy	69,623.60	1.28	35.70
TJ Samson Hospital	51,824.45	0.95	40.69
Barren County Board of Education	39,655.50	0.73	19.52
R.R. Donnelley & Sons	28,915.20	0.53	22.52
Coral Hill Dairy	28,066.18	0.51	22.75
Alcan Composites	27,586.30	0.50	18.62

Fiscal Year 2010

<u>Customer</u>	<u>Revenue (\$)</u>	<u>% of Revenue</u>	<u>Annual Gallons (MG)</u>
Allen County Water	\$415,609.69	7.66%	348.42
Edmonton Water Works	334,223.98	6.16	230.30
Fountain Run Water District	61,310.57	1.13	50.14
Caveland Environmental	42,320.57	0.78	35.16
Bluegrass Dairy	38,522.57	0.71	50.28
T J Samson Hospital	32,554.28	0.60	43.06
Coral Hill Dairy	24,958.28	0.46	17.05
R.R. Donnelley & Sons	21,160.28	0.39	43.06
Akebono Brake	20,075.14	0.37	24.69
Barren River State Park	20,075.14	0.37	11.79

Fiscal Year 2009

<u>Customer</u>	<u>Revenue (\$)</u>	<u>% of Revenue</u>	<u>Annual Gallons (MG)</u>
Allen County Water	\$649,664.40	12.00%	332.40
Edmonton Water Works	447,727.05	8.27	238.46
Fountain Run Water District	93,118.56	1.72	46.66
Bluegrass Dairy	63,883.67	1.18	47.55
T J Samson	55,221.47	1.02	49.01
Coral Hill Dairy	35,190.16	0.65	15.57
R.R. Donnelley & Sons	34,648.77	0.64	46.84
Barren River State Park	32,483.22	0.60	19.00
Akebono Brake	27,610.74	0.51	22.02
Alcan Composites	20,031.32	0.37	14.05

Fiscal Year 2008

<u>Customer</u>	<u>Revenue (\$)</u>	<u>% of Revenue</u>	<u>Annual Gallons (MG)</u>
Allen County Water	\$632,550.48	12.17%	402.92
Edmonton Water Works	361,754.42	6.96	239.37
Fountain Run Water	79,523.60	1.53	44.55
Caveland Environmental	75,885.27	1.46	48.46
Bluegrass Dairy	66,009.79	1.27	54.36
T J Samson Hospital	40,021.68	0.77	30.40
Barren County Schools	34,304.30	0.66	7.03
R.R. Donnelley & Sons	32,225.25	0.62	39.63
Coral Hill Dairy	31,705.49	0.61	15.12
Alcan Composites	31,185.73	0.60	24.32

Source: City of Glasgow

SEWER SYSTEM

Sewer System 2012 Rate Structure (As of October 1, 2012)

<u>All Meter Sizes</u>		<u>Inside City Limits</u>	<u>Outside City Limits</u>
First	2,000 gallons	\$11.15 Minimum	\$14.15 Minimum
Over	2,000 gallons	3.95/1,000 gallons	4.80/1,000 gallons

Sewer Surcharge

No change is proposed in the sewer surcharge rates. The rates now in effect and defined by Ordinance No. 1489 shall remain.

Sewer Tap Fee

Gravity main Connection Fee: (4" & 6")	\$175	Includes Sewer Saddle & Inspection
Force Main Connection Fee:	\$3,700	Includes Force Main Tap, Low Pressure Sewer Equipment (pump, control panel, and wet-well) & Inspection

Waste Water Treatment Plan (WWTP) Waste Hauling Disposal Fees

Hauler Permit Fee (Yearly)	\$50.00
Septic Disposal per 1,000 gallons (minimum)	\$50.00
Grease Disposal per 1,000 gallons (minimum)	\$75.00

Sewer System 2008-2011 Rate Structure

<u>All Meter Sizes</u>		<u>Inside City Limits</u>	<u>Outside City Limits</u>
First	2,000 gallons	\$8.40 Minimum	\$12.60 Minimum
Over	2,000 gallons	2.80/1,000 gallons	4.20/1,000 gallons

Sewer Surcharge

No change is proposed in the sewer surcharge rates. The rates now in effect and defined by Ordinance No. 1489 shall remain.

Sewer Tap Fee

Gravity main Connection Fee: (4" & 6")	\$175	Includes Sewer Saddle & Inspection
Force Main Connection Fee:	\$3,700	Includes Force Main Tap, Low Pressure Sewer Equipment (pump, control panel, and wet-well) & Inspection

Waste Water Treatment Plan (WWTP) Waste Hauling Disposal Fees

Hauler Permit Fee (Yearly)	\$50.00
Septic Disposal per 1,000 gallons (minimum)	\$50.00
Grease Disposal per 1,000 gallons (minimum)	\$75.00

Operating Data ⁽⁴⁾

Below is

Fiscal Year	Annual Flow (MG) ⁽⁵⁾	Peak Flow (MGD)	Average Daily Flow (MGD)	System Capacity (MGD)
2012	707.88	5.46	1.94	6
2011	899.60	6.99	2.47	6
2010	784.20	6.96	2.16	6
2009	916.30	6.50	2.52	6
2008	783.00	5.67	2.14	6

Source: City of Glasgow

⁴ Glasgow Water Company is undergoing a \$6 million project that will increase storage and decrease infiltration.

⁵ Annual Flow has creased because Glasgow Water Company has eliminated all but seven of their SSOs.

Customers

Listed below is the total number of customers of the sewer system for the last five years:

Fiscal Year	Residential	Comm./Industrial	Total
2012	5,039	905	5,944
2011	4,966	868	5,834
2010	4,935	846	5,781
2009	4,914	866	5,780
2008	4,871	908	5,779

Source: City of Glasgow

Set forth below is a list of the ten largest customers of the sewer system during fiscal years 2008-2012.

Fiscal Year 2012:

<u>Customer</u>	<u>Revenue (\$)</u>	<u>% of Revenue</u>	<u>Annual Gallons</u> <u>(MG)</u>
Bluegrass Dairy	\$338,974.30	17.50	58.09
T.J. Samson Hospital	95,106.50	4.91	38.41
Alcan Composites	76,511.34	3.95	25.85
Akebono Brake	59,659.48	3.08	21.85
J.L. French	59,078.38	3.05	19.87
R.R. Donnelley & Sons	44,550.91	2.30	21.66
Dana Corporation	30,023.44	1.55	7.34
NHC Healthcare	28,280.14	1.46	9.48
Barren River State Park	28,086.44	1.45	19.77
Barren County Board of Education	19,757.36	1.02	8.57

Fiscal Year 2011:

<u>Customer</u>	<u>Revenue (\$)</u>	<u>% of Revenue</u>	<u>Annual Gallons</u> <u>(MG)</u>
Bluegrass Dairy	\$215,407.21	11.71	55.24
T.J. Samson Hospital	101,357.28	5.51	40.69
Akebono Brake	59,600.29	3.24	21.44
J.L. French	55,369.40	3.01	18.62
R.R. Donnelley & Sons	47,827.39	2.60	22.52
Alcan Composites	41,205.14	2.24	13.86
Barren River State Park	39,917.48	2.17	22.75
NHC Healthcare	33,847.08	1.84	11.40
Dana Corporation	30,535.95	1.66	7.85
Barren County Board of Education	17,843.30	0.97	22.75

Fiscal Year 2010:

<u>Customer</u>	<u>Revenue (\$)</u>	<u>% of Revenue</u>	<u>Annual Gallons</u> <u>(MG)</u>
Bluegrass Dairy	\$33,295.44	1.82	50.28
T.J. Samson Hospital	21,770.10	1.19	37.37
Akebono Brake	14,452.42	0.79	22.42
R.R. Donnelley & Sons	13,903.59	0.76	14.40
J.L. French	10,061.81	0.55	14.60
Dana Corporation	9,147.10	0.50	9.10
Alcan Composites	8,964.16	0.49	13.47
NHC Healthcare	6,768.85	0.37	11.60
Glasgow Board of Education	4,207.67	0.23	5.66
Barren County Board of Education	3,475.90	0.19	4.81

Fiscal Year 2009:

<u>Customer</u>	<u>Revenue (\$)</u>	<u>% of Revenue</u>	<u>Annual Gallons</u> <u>(MG)</u>
Bluegrass Dairy	\$148,408.21	7.92	47.55
T.J. Samson Hospital	108,308.01	5.78	49.01
Akebono Brake	57,526.92	3.07	22.02
R.R. Donnelley & Sons	44,035.26	2.35	46.84
Alcan Composites	43,847.88	2.34	14.05
J.L. French	35,040.83	1.87	10.68
NHC Healthcare	32,604.83	1.74	10.97
Barren River State Park	20,799.64	1.11	19.00
Glasgow Board of Education	15,178.11	0.81	5.31
Barren County Board of Education	11,055.66	0.59	4.82

Fiscal Year 2008:

<u>Customer</u>	<u>Revenue (\$)</u>	<u>% of Revenue</u>	<u>Annual Gallons</u> <u>(MG)</u>
Bluegrass Dairy	\$158,504.57	8.33	54.36
T.J. Samson Hospital	88,480.94	4.65	30.40
Alcan Composites	73,638.98	3.87	24.32
Akebono Brake	60,319.27	3.17	22.19
J.L. French	35,772.94	1.88	12.10
R.R. Donnelley & Sons	33,109.00	1.74	39.63
Dana Corporation	30,825.62	1.62	14.17
NHC Healthcare	30,825.62	1.62	10.53
SKF	20,169.85	1.06	4.49
Barren County Schools	16,364.22	0.86	7.03

Source: City of Glasgow

Water and Sewer Purchased and Sold Last Five Years

Listed below is the total number of customers of the sewer system for the last five years:

<u>Fiscal Year</u>	<u>Water Gallons</u> <u>Produced</u>	<u>Water Gallons</u> <u>Sold</u>	<u>Water Revenues</u>	<u>Sewer Gallons</u> <u>Sold</u>	<u>Sewer Revenues</u>
2012	2,584,520,513	1,939,726,300	\$5,227,831	557,771,900	\$1,936,996
2011	2,589,786,222	1,971,722,200	5,428,992	560,314,800	1,839,515
2010	2,460,902,101	2,025,742,500	5,425,718	568,357,700	1,829,420
2009	2,783,217,901	1,941,454,400	5,079,443	544,853,100	1,829,608
2008	2,984,890,831	2,124,768,327	5,197,621	575,138,945	1,902,816

Source: City of Glasgow

City of Glasgow, Water District
Audited Balance Sheets

	As of June 30,					
	2012	2011	2010	2009	2008	2007
ASSETS						
Current Assets						
Cash	\$3,058,095	\$2,652,804	\$3,002,341	\$2,003,608	\$1,987,566	\$999,615
Short-term investments	-	-	-	-	200,000	778,434
Inventory	216,449	224,666	253,767	316,343	279,127	237,257
Accounts receivable:						
Water and sewer	416,090	407,590	439,219	383,179	362,216	393,290
Other	31,919	96,805	57,918	48,997	60,243	2,474
Prepaid and other assets	-	217,076	206,215	202,803	216,413	225,764
Total Current Assets	<u>\$3,722,553</u>	<u>\$3,598,941</u>	<u>\$3,959,460</u>	<u>\$2,954,930</u>	<u>\$3,105,565</u>	<u>\$2,636,834</u>
Non-Current Assets						
Restricted assets:						
Cash-depreciation fund	\$382,634	\$451,273	\$38,310	\$2,287	\$6,838	\$5,833
Cash-bond and interest redemption fund	127,553	127,467	180,217	214,764	-	-
Cash-construction fund	-	303,518	349,385	728,577	780,106	-
Investments-bond and interest redemption fund	-	-	-	-	243,570	405,485
Investments-construction fund	-	-	-	-	-	896,582
Total Restricted Assets	<u>\$510,187</u>	<u>\$882,258</u>	<u>\$567,912</u>	<u>\$945,628</u>	<u>\$1,030,514</u>	<u>\$1,307,900</u>
Capital assets:						
Utility plant in service	\$70,582,921	\$67,291,290	\$65,976,647	\$63,971,447	\$62,818,746	\$59,163,377
Construction-in-progress	20,499	977,417	-	-	-	842,984
Accumulated depreciation and amortization	<u>(29,060,631)</u>	<u>(27,792,900)</u>	<u>(26,518,257)</u>	<u>(25,312,571)</u>	<u>(24,108,597)</u>	<u>(22,723,802)</u>
Total Net Capital Assets	<u>\$41,542,789</u>	<u>\$40,475,807</u>	<u>\$39,458,390</u>	<u>\$38,658,876</u>	<u>\$38,710,149</u>	<u>\$37,282,559</u>
Other assets:						
Source of water supply, net	\$985	\$1,453	\$1,922	\$2,391	\$2,859	\$3,328
Debt discounts, net	58,983	69,532	81,532	95,182	121,558	119,957
Premium on retired bonds	-	-	-	-	-	25,619
Total Other Assets	<u>\$59,968</u>	<u>\$70,985</u>	<u>\$83,454</u>	<u>\$97,573</u>	<u>\$124,417</u>	<u>\$148,904</u>
Total Non-Current Assets	<u>\$42,112,944</u>	<u>\$41,429,050</u>	<u>\$40,109,756</u>	<u>\$39,702,077</u>	<u>\$39,865,080</u>	<u>\$38,739,363</u>
Total Assets	<u><u>\$45,835,497</u></u>	<u><u>\$45,027,991</u></u>	<u><u>\$44,069,216</u></u>	<u><u>\$42,657,007</u></u>	<u><u>\$42,970,645</u></u>	<u><u>\$41,376,197</u></u>
LIABILITIES						
Current Liabilities						
Accounts payable	\$205,603	\$395,498	\$216,335	\$337,123	\$281,224	\$262,789
Accrued liabilities	211,527	151,034	152,455	168,419	169,324	114,461
Customer deposits	102,950	102,970	102,970	102,980	103,005	103,015
Total Current Liabilities	<u>\$520,080</u>	<u>\$649,502</u>	<u>\$471,760</u>	<u>\$608,522</u>	<u>\$553,553</u>	<u>\$480,265</u>
Liabilities Payable from Restricted Assets						
Accounts payable-construction	20,499	\$30,735	\$262,724	-	\$74,626	\$228,373
Current maturities of long-term debt	530,000	515,000	810,000	\$915,000	995,000	960,000
Accrued interest	29,209	31,168	34,197	37,290	49,706	53,204
Total Liabilities Payable from Restricted Assets	<u>\$579,708</u>	<u>\$576,903</u>	<u>\$1,106,921</u>	<u>\$952,290</u>	<u>\$1,119,332</u>	<u>\$1,241,577</u>
Long-Term Liabilities						
Long-term debt, less current maturities	<u>\$5,260,000</u>	<u>\$5,790,000</u>	<u>\$6,305,000</u>	<u>\$7,115,000</u>	<u>\$8,660,000</u>	<u>\$9,655,000</u>
Total Long-Term Liabilities	<u>\$5,260,000</u>	<u>\$5,790,000</u>	<u>\$6,305,000</u>	<u>\$7,115,000</u>	<u>\$8,660,000</u>	<u>\$9,655,000</u>
Total Liabilities	<u><u>\$6,359,788</u></u>	<u><u>\$7,016,405</u></u>	<u><u>\$7,883,681</u></u>	<u><u>\$8,675,812</u></u>	<u><u>\$10,332,885</u></u>	<u><u>\$11,376,842</u></u>
NET ASSETS						
Net Assets						
Invested in capital assets, net of related debt	\$35,732,290	\$34,140,072	\$32,075,666	\$30,628,876	\$28,980,523	\$26,676,443
Restricted for equipment replacement	382,634	451,273	38,310	2,287	6,838	5,833
Restricted for construction projects	-	303,518	349,385	728,577	780,106	896,582
Restricted for debt retirement	98,344	96,299	146,020	177,474	193,864	352,281
Unrestricted	3,262,441	3,020,424	3,571,154	2,443,981	2,676,429	2,068,216
Total Net Assets	<u><u>\$39,475,709</u></u>	<u><u>\$38,011,586</u></u>	<u><u>\$36,180,535</u></u>	<u><u>\$33,981,195</u></u>	<u><u>\$32,637,760</u></u>	<u><u>\$29,999,355</u></u>

Source: City of Glasgow, Ky Water Company Audited Financial Statements for Fiscal Years 2007-2012.

City of Glasgow, Water District
Statement of Revenues and Expenses

	As of June 30,					
	2012	2011	2010	2009	2008	2007
<u>OPERATING REVENUES</u>						
Water	\$5,227,831	\$5,428,992	\$5,425,718	\$5,413,870	\$5,197,621	\$4,947,036
Sewer services	1,936,996	1,839,515	1,829,420	1,873,841	1,902,816	1,874,586
Other	290,464	295,480	304,992	262,768	271,253	250,883
Revenue adjustments	(13,384)	(30,570)	(31,754)	(73,094)	(28,704)	(23,166)
Total Operating Revenues	<u>\$7,441,907</u>	<u>\$7,533,417</u>	<u>\$7,528,376</u>	<u>\$7,477,385</u>	<u>\$7,342,986</u>	<u>\$7,049,339</u>
<u>OPERATING EXPENSES</u>						
Pumping	\$1,041,200	\$1,032,143	\$973,419	\$1,136,310	\$1,012,069	\$893,855
Purification	556,287	550,185	543,239	639,567	536,776	483,438
Distribution	909,598	747,726	833,829	770,801	665,977	798,671
Sewer operation and maintenance	252,386	262,335	270,000	249,285	262,302	338,146
Sewer disposal	697,448	662,101	641,233	700,723	630,899	581,033
Commercial and general	2,170,184	1,965,930	1,826,474	1,704,399	1,680,075	1,559,778
Depreciation	1,455,227	1,390,831	1,306,651	1,266,974	1,384,795	1,307,557
Amortization	10,549	12,000	14,119	33,164	24,487	23,550
Total Operating Expenses	<u>\$7,092,879</u>	<u>\$6,623,251</u>	<u>\$6,408,964</u>	<u>\$6,501,223</u>	<u>\$6,197,380</u>	<u>\$5,986,028</u>
Operating Income	<u>\$349,028</u>	<u>\$910,166</u>	<u>\$1,119,412</u>	<u>\$976,162</u>	<u>\$1,145,606</u>	<u>\$1,063,311</u>
<u>NON-OPERATING REVENUE (EXPENSES)</u>						
Interest Income	\$50,212	\$62,419	\$118,164	\$105,946	\$138,955	\$132,762
Interest expense on bonds	(247,383)	(270,548)	(293,110)	(391,350)	(387,132)	(375,149)
Other Income	-	-	-	-	-	1,989
Total Non-Operating Revenue (Expenses)	<u>(\$197,171)</u>	<u>(\$208,129)</u>	<u>(\$174,946)</u>	<u>(\$285,404)</u>	<u>(\$248,177)</u>	<u>(\$240,398)</u>
Income before capital contributions	\$151,857	\$702,037	\$944,466	\$690,758	\$897,429	\$822,913
Capital contributions	<u>1,312,266</u>	<u>1,129,014</u>	<u>1,254,874</u>	<u>652,677</u>	<u>1,740,976</u>	<u>2,097,533</u>
Increase in net assets	\$1,464,123	\$1,831,051	\$2,199,340	\$1,343,435	\$2,638,405	\$2,920,446
<u>NET ASSETS</u>						
Beginning of Year	<u>\$38,011,586</u>	<u>\$36,180,535</u>	<u>\$33,981,195</u>	<u>\$32,637,760</u>	<u>\$29,999,355</u>	<u>\$27,078,909</u>
End of year	<u>\$39,475,709</u>	<u>\$38,011,586</u>	<u>\$36,180,535</u>	<u>\$33,981,195</u>	<u>\$32,637,760</u>	<u>\$29,999,355</u>

Source: City of Glasgow, Ky Water Company Audited Financial Statements for Fiscal Years 2007-2012.

City of Glasgow, Kentucky
Historical Debt Service Coverage

	For Years Ended June 30,					
	<u>FY 2012</u>	<u>FY 2011</u>	<u>FY 2010</u>	<u>FY 2009</u>	<u>FY 2008</u>	<u>FY 2007</u>
Net Revenues	\$349,028	\$910,166	\$1,119,412	\$976,162	\$1,145,606	\$1,063,311
Plus: Depreciation	1,455,227	1,390,831	1,306,651	1,266,974	1,384,795	1,307,557
Plus: Amortization	10,549	12,000	14,119	33,164	24,487	23,550
Plus: Interest Income	50,212	62,419	118,164	105,946	138,955	132,762
Total Revenue Available For Debt Service	<u>\$1,865,016</u>	<u>\$2,375,416</u>	<u>\$2,558,346</u>	<u>\$2,382,246</u>	<u>\$2,693,843</u>	<u>\$2,527,180</u>
Parity Debt Service (1)	<u>\$767,371</u>	<u>\$1,083,577</u>	<u>\$1,211,203</u>	<u>\$1,398,766</u>	<u>\$1,350,630</u>	<u>\$1,442,182</u>
Parity Debt Coverage	<u>2.43</u>	<u>2.19</u>	<u>2.11</u>	<u>1.70</u>	<u>1.99</u>	<u>1.75</u>

Source: Taken from audited financial statements for 2007-2012 prepared by the Water Company's Certified Public Accountant and summarized by the Financial Advisor for presentation purposes only.

Outstanding Debt Obligations

The following represents the outstanding debt obligations of the Glasgow Water Company as of June 30, 2012.

	<u>Final Maturity</u>	<u>Amount Issued</u>	<u>Amount Matured</u>	<u>Balance Outstanding</u>
<u>Parity Debt</u> ⁽¹⁾				
Series 2003A Revenue Bonds	2023	\$8,285,000	\$3,095,000	\$5,190,000
Series 2009 Refunding Bonds	2016	<u>1,025,000</u>	<u>425,000</u>	<u>600,000</u>
Total Parity Debt		<u>\$9,310,000</u>	<u>\$3,520,000</u>	<u>\$5,790,000</u>

Source: Glasgow Water Company

(1) The Series 2012 Bonds will refund the Series 2003A Bonds and will rank on parity with the Series 2009 Bonds.

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APPENDIX D

**CITY OF GLASGOW, KENTUCKY
WATER AND SEWER REVENUE BONDS
SERIES 2012**

**Audited Financial Statement
for the Periods Ended June 30, 2012 and 2011**

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Glasgow Water Company
Financial Statements
June 30, 2012 and 2011

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CAMPBELL, MYERS, & RUTLEDGE, PLLC

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INDEPENDENT AUDITOR'S REPORT

Commissioners of Glasgow Water Company
Glasgow, Kentucky

We have audited the accompanying basic financial statements of the business-type activities of Glasgow Water Company, component unit of the City of Glasgow, Kentucky, as of and for the years ended June 30, 2012 and 2011, which collectively comprise the Company's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Glasgow Water Company's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Glasgow Water Company as of June 30, 2012 and 2011, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2012, on our consideration of the Glasgow Water Company's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited

procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Glasgow Water Company's financial statements as a whole. The schedules of operating revenues and expenses on pages 22-24 are presented for purposes of additional analysis and are not a required part of the financial statements. The schedules of operating revenues and expenses are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Campbell, Myers, & Rutledge, PLLC

Certified Public Accountants
Glasgow, Kentucky

October 19, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Glasgow Water Company, we offer readers of the Company's financial statements this narrative overview of the financial activities of the Company for the fiscal years ending June 30, 2012 and 2011. We encourage readers to consider the information presented here in conjunction with the Company's financial statements and notes to the basic financial statements to enhance their understanding of the Company's financial performance.

Financial Highlights

- For the year ending June 30, 2012, total operating and non-operating revenues (including capital contributions) totaled \$8,754,173 and expenses amounted to \$7,290,050 creating an increase in net assets of \$1,464,123.
- The Company had invested \$41.5 million in capital assets net of accumulated depreciation up over \$1 million from the previous year.
- At year end, net assets totaled \$39,475,709, of which \$35.7 million (net of related debt) was invested in capital assets, \$98,344 was restricted for debt retirement, and \$382,634 was restricted for equipment replacement. This left a net amount of \$3.2 million of unrestricted assets. This is an increase of \$200,000 from the previous year.
- Capital contributions for the fiscal year were \$1,312,266. This was a \$183,000 increase from prior year, primarily due to the construction of the Austin Tracy Sewer Line, the purchase of a Directional Boring Machine, and various relocation projects.

Overview of the Financial Statements

This report consists of this Management's Discussion and Analysis report, the Independent Auditor's Report, Financial Statements and Supplementary Information. The Financial Statements include notes which explain in detail some of the information included in the Financial Statements.

Required Financial Statements

The financial statements of Glasgow Water Company report information of Glasgow Water Company using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about its activities. The Statement of Net Assets includes all of Glasgow Water Company's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to Glasgow Water Company creditors (liabilities). It also provides the basis for evaluation the capital structure of Glasgow Water Company and assessing the liquidity and financial flexibility of Glasgow Water Company.

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Net Assets. This statement measures the success of Glasgow Water Company's operations over the past year and can be used to determine whether Glasgow Water Company has successfully recovered all its costs through its user fees and other charges, profitability and credit worthiness.

The final required financial statement is the Statement of Cash Flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

Financial Analysis of Glasgow Water Company

Glasgow Water Company Summary of Net Assets June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Assets		
Total Current Assets	\$ 3,722,553	\$ 3,598,941
Total Restricted Assets	510,187	882,258
Net Capital Assets	41,542,789	40,475,807
Total Other Assets	59,968	70,985
Total Assets	<u>\$ 45,835,497</u>	<u>\$ 45,027,991</u>
Liabilities		
Total Current Liabilities	\$ 540,579	\$ 649,502
Total Liabilities Payable from Restricted Assets	559,209	576,903
Total Long-term Liabilities	5,260,000	5,790,000
Total Liabilities	<u>\$ 6,359,788</u>	<u>\$ 7,016,405</u>
Net Assets		
Invested in capital assets, net of related debt	\$ 35,752,789	\$ 34,140,072
Restricted for equipment replacement	382,634	451,273
Restricted for construction projects	-	303,518
Restricted for debt retirement	98,344	96,299
Unrestricted	3,241,942	3,020,424
Total Net Assets	<u>\$ 39,475,709</u>	<u>\$ 38,011,586</u>

The largest portion (91%) of the Company's net assets reflects its investment in capital assets, less any related debt used to acquire those assets still outstanding. The Company uses these capital assets to provide services to citizens and consumers; consequently, these assets are not available for future spending.

Restricted net assets (2%) represent resources that are subject to external restrictions on how they may be used. This amount has decreased from the previous year primarily due to the use of restricted construction funds on new pumps at the Water Treatment Plant, and the purchase of a Directional Boring Machine.

The balance (7%) of unrestricted net assets may be used to meet the Company's ongoing obligations to citizens, consumers and creditors. This amount is up \$220,000 from the previous year.

**Glasgow Water Company
Summary of Changes in Net Assets
For the Years Ended June 30, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
Total operating revenues	\$ 7,441,907	\$ 7,533,417
Total operating expenses	<u>7,092,879</u>	<u>6,623,251</u>
Operating Income	349,028	910,166
Total non-operating revenue (expenses)	<u>(197,171)</u>	<u>(208,129)</u>
Income before capital contributions	151,857	702,037
Capital contributions	<u>1,312,266</u>	<u>1,129,014</u>
Increase in net assets	1,464,123	1,831,051
Beginning of year	<u>38,011,586</u>	<u>36,180,535</u>
End of year	<u>\$ 39,475,709</u>	<u>\$ 38,011,586</u>

Residential and commercial water and sewer rates and Wholesale water rates remained unchanged for the fiscal year (July 1, 2010 – June 30, 2011); with the last sewer rate increase being an increase that was put into effect on January 1, 2006. The last increase in the water wholesale rate was July 1, 2009, and the last rate increase in the residential and commercial water rate was in July of 2003. Rate increases for both residential and commercial water and sewer rates will go into effect in October 2012. Wholesale Rates will not be increased.

The Company saw a decrease in operating revenues of \$91,510 - The decrease in operating revenues is directly attributable to a decrease in water sales. Water sales were down from the previous year due primarily to increased rainfall during 2011-2012. The Company also saw an increase in operating expenses of \$469,628, a 7% increase from the prior year. The increase consists primarily due to power increases at the WWTP, maintenance to the distribution system, State Retirement System contribution rate increases, and Health Insurance rate increases.

Overall, net assets increased by \$1,464,123 a decrease of \$366,928 from the prior year. Income before capital contributions decreased by \$550,180 from the prior year, and capital contributions increased by \$183,252 primarily because of the work completed on the Austin Tracy Sewer Line Extension, the addition of a directional Boring Machine, and various line relocation projects.

Capital Asset Changes

The Company had a net increase of approximately \$1 million in water and sewer property during fiscal year 2011-2012. This is primarily due to the aforementioned infrastructure projects placed in service during the current year.

The purchase of the new Directional Boring Machine will allow the Glasgow Water Company to save money by replacing old water lines as well as the addition of new lines by completing the projects in-house as opposed to hiring contractors to do the work. The machine also allows the Glasgow Water Company to minimize cuts to roads, sidewalks, and other landscapes when laying new lines or replacing old lines.

The company had an ending balance of \$20,499 in construction in progress at fiscal year end. This is because of capital projects in progress as of June 30, 2012 which primarily consists of engineering services provided for renovations to the Waste Water Treatment Plant.

The addition of a new sludge press and building at the Waste Water Treatment Plant was in effect during fiscal year 2011-2012 allowing the Glasgow Water Company to handle sludge more effectively. Construction of the Waste Water Treatment Plant renovation Project will begin in 2012-2013. The Glasgow Water Company also completed the SCADA Project at the Beaver Creek Water Treatment Plant during the current fiscal year as well as the construction of the Austin Tracy Sewer Line Extension. The Glasgow Water Company had contributed capital of roughly \$700,000 in water line relocation projects with KY Highway 90 relocation being the primary project.

The Glasgow Water Company has started engineering design for the renovation of the Waste Water Treatment Plant. The total cost of the project is estimated to be \$6 million and construction should begin April 2013.

During fiscal year 2011-2012 the Company continued setting aside revenues from sewer rates to fund future sewer rehabilitation or expansion projects. One third of all sewer revenues are placed in an account for these expenditures. At year end, this account had approximately \$1.2 million, compared to \$923,000 at the previous year end.

Debt Administration

At June 30, 2012, the Company had \$5.79 million bonds outstanding, a decrease of \$515,000 from the prior year's balance of \$6.3 million. The Company incurred \$247,383 in interest expense associated with long term debt, a decrease of \$23,165 due to the declining principle scale associated with current debt service issues. The Glasgow Water Company plans to sell bonds to refinance the 2003 A Bond Series in December 2013, resulting in an approximately \$90,000 savings over the course of future debt maturities.

Economic Factors and Other Operating Information

The Company has had approximately 16,000 water customers and 5,900 sewer customers in the fiscal year ending 2012, which is relatively unchanged from fiscal years 2010 and 2011. During 2011-2012 the Glasgow Water Company experienced a small decrease in the amount of water pumped by its facilities, while the number of gallons of waste water treated remained relatively unchanged. Although the economy in general has affected the short term growth of the Glasgow Water Company, the Company has still made efforts to accommodate future

growth. The recent completion of the Water Treatment Plant Expansion coupled with the completion of the Water Transmission Line Project will allow our water operations to be more efficient and allow for future growth. A change in our water treatment process and our addition of high service pumps are expected to offset costs associated with chemicals and power at the Lucas Water Treatment Plant.

The Glasgow Water Company has a rate increase for residential and commercial water and sewer customers that will go into effect on October 1, 2012. The change in the rate structure is as follows:

<u>WATER RATES</u>			
<u>Limits (per 1,000 gal)</u>		<u>Inside City Limits (per 1,000 Gal)</u>	<u>Outside City</u>
FIRST	2,000 gallons	8.42 Minimum	\$ 12.03 Minimum
NEXT	18,000 gallons	3.11	3.89
NEXT	80,000 gallons	2.46	2.91
NEXT	900,000 gallons	2.05	2.44
OVER	1,000,000 gallons	1.95	2.04
<u>SEWER RATES</u>			
(Based on Meter Reading)		<u>Inside City Limits (per 1,000 Gal)</u>	<u>Outside City Limits</u>
FIRST	2,000 gallons	\$ 11.15 Minimum	\$ 14.15 Minimum
OVER	2,000 gallons	3.95	4.80

The rate increase is expected to increase annual water rate revenues by approximately \$933,000. These funds will be used to fund future capital projects including water transmission lines and a new elevated water storage tank, as well as cover rising operating expenses. Annual sewer rate revenues are expected to increase by approximately \$670,000. These funds will be used to upgrade the Waste Water Treatment Plant and to construct interceptor lines to eliminate the remaining Sanitary Sewer Overflows in the Glasgow Water Company's sewer collection system. These projects will greatly improve the GWC's wastewater collection and treatment capabilities. The Glasgow Water Company has already started designing the Waste Water Treatment Plant Upgrade and expects construction to begin in April 2013. The project is approximately \$6 million and includes adding new head works, a RAS/WAS pump station, an influent pump station, secondary clarifiers, and a 948,000 gallon peak storage basin.

The Glasgow Water Company received an Economic Development Grant through the Federal Economic Development Administration for \$1.9 million. These funds will be used for the aforementioned Waste Water Treatment Plant Upgrades. The Glasgow Water Company has also secured KIA funds in the amount of \$455,000 to pay for the project. The remainder of the project will be paid for with Sewer Rehab money and a potential bond sale.

The Glasgow Water Company did a comprehensive cost of service study in 2012 to determine actual costs of water and sewer services. The study showed that new revenues from customer growth have become stagnant since the economic slump of 2008. As a result, rising expenses have no longer been able to be offset by rising revenue. The cost of service study combined with a future needs assessment was used as the basis to establish the new water and sewer rates effective October 1, 2012.

Request for Information

This financial report is designed to provide our customers and creditors with a general overview of Glasgow Water Company's finances and to demonstrate Glasgow Water Company's accountability for the funds it receives. If you have any questions about this report or need any additional information, please contact the Glasgow Water Company at P.O. Box 819, Glasgow, Kentucky 42141, or by phone (270) 651-3727.

GLASGOW WATER COMPANY
Statements of Net Assets
June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Assets		
Current Assets		
Cash	\$ 3,058,095	\$ 2,652,804
Inventory, at cost	216,449	224,666
Accounts receivable:		
Water and sewer	416,090	407,590
Other	31,919	96,805
Prepaid and other assets	-	217,076
Total Current Assets	<u>3,722,553</u>	<u>3,598,941</u>
Non-current Assets		
Restricted Assets		
Cash - Depreciation fund	382,634	451,273
Cash - Bond and interest redemption fund	127,553	127,467
Cash - Construction fund	-	303,518
Total Restricted Assets	<u>510,187</u>	<u>882,258</u>
Capital Assets		
Construction-in-progress	20,499	977,417
Utility plant in service	70,582,921	67,291,290
Accumulated depreciation	<u>(29,060,631)</u>	<u>(27,792,900)</u>
Net Capital Assets	<u>41,542,789</u>	<u>40,475,807</u>
Other Assets		
Source of water supply, net	985	1,453
Debt discounts, net	<u>58,983</u>	<u>69,532</u>
Total Other Assets	<u>59,968</u>	<u>70,985</u>
Total Non-current Assets	<u>42,112,944</u>	<u>41,429,050</u>
Total Assets	<u>\$ 45,835,497</u>	<u>\$ 45,027,991</u>

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

	<u>2012</u>	<u>2011</u>
Liabilities		
Current Liabilities		
Accounts payable	\$ 205,603	\$ 395,498
Accrued liabilities	211,527	151,034
Customer deposits	<u>102,950</u>	<u>102,970</u>
Total Current Liabilities	<u>520,080</u>	<u>649,502</u>
Liabilities Payable from Restricted Assets		
Accounts payable - construction	20,499	30,735
Current maturities of long-term debt	530,000	515,000
Accrued interest	<u>29,209</u>	<u>31,168</u>
Total Liabilities Payable from Restricted Assets	<u>579,708</u>	<u>576,903</u>
Long-term Liabilities		
Long-term debt, less current maturities	<u>5,260,000</u>	<u>5,790,000</u>
Total Long-term Liabilities	<u>5,260,000</u>	<u>5,790,000</u>
Total Liabilities	<u>6,359,788</u>	<u>7,016,405</u>
Net Assets		
Net Assets		
Invested in capital assets, net of related debt	35,732,290	34,140,072
Restricted for equipment replacement	382,634	451,273
Restricted for construction projects	-	303,518
Restricted for debt retirement	98,344	96,299
Unrestricted	<u>3,262,441</u>	<u>3,020,424</u>
Total Net Assets	<u>\$ 39,475,709</u>	<u>\$ 38,011,586</u>

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

GLASGOW WATER COMPANY
Statement of Revenues, Expenses and Changes in Net Assets
For the Years Ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Operating revenues:		
Water	\$ 5,227,831	\$ 5,428,992
Sewer services	1,936,996	1,839,515
Other	290,464	295,480
Revenue adjustments	<u>(13,384)</u>	<u>(30,570)</u>
Total operating revenues	<u>7,441,907</u>	<u>7,533,417</u>
Operating expenses:		
Pumping	1,041,200	1,032,143
Purification	556,287	550,185
Distribution	909,598	747,726
Sewer operation and maintenance	252,386	262,335
Sewer disposal	697,448	662,101
Commercial and general	2,170,184	1,965,930
Depreciation	1,455,227	1,390,831
Amortization	<u>10,549</u>	<u>12,000</u>
Total operating expenses	<u>7,092,879</u>	<u>6,623,251</u>
Operating income	<u>349,028</u>	<u>910,166</u>
Non-operating revenue (expenses):		
Interest income	50,212	62,419
Interest expense on bonds	<u>(247,383)</u>	<u>(270,548)</u>
Total non-operating revenue (expenses)	<u>(197,171)</u>	<u>(208,129)</u>
Income before capital contributions	151,857	702,037
Capital contributions	<u>1,312,266</u>	<u>1,129,014</u>
Increase in net assets	1,464,123	1,831,051
Net assets:		
Beginning of year	<u>38,011,586</u>	<u>36,180,535</u>
End of year	<u>\$ 39,475,709</u>	<u>\$ 38,011,586</u>

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

GLASGOW WATER COMPANY
Statement of Cash Flows
For the Years Ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Cash receipts from customers	\$ 7,498,293	\$ 7,526,159
Cash payments to suppliers for goods and services	(2,765,009)	(2,660,427)
Cash payments to employees for services	<u>(2,775,991)</u>	<u>(2,600,531)</u>
Net cash provided (used) by operating activities	<u>1,957,293</u>	<u>2,265,201</u>
Cash flows from capital and related financing activities:		
Premiums and discounts on bonds	10,549	12,000
Principal paid on long-term debt	(515,000)	(810,000)
Interest paid on long-term debt	(252,371)	(273,577)
Cash paid for capital assets	(2,833,257)	(2,466,148)
Capital contributions	<u>1,312,266</u>	<u>1,129,014</u>
Net cash provided (used) in financing activities	<u>(2,277,813)</u>	<u>(2,408,711)</u>
Cash flows from investing activities:		
Investment income	50,212	62,419
Investments sold	<u>303,528</u>	<u>45,900</u>
Net cash provided by (used) in investing activities	<u>353,740</u>	<u>108,319</u>
Net increase (decrease) in cash and cash equivalents	33,220	(35,191)
Cash and cash equivalents, beginning of year	<u>3,535,062</u>	<u>3,570,253</u>
Cash and cash equivalents, end of year	<u>\$ 3,568,282</u>	<u>\$ 3,535,062</u>
Reconciliation of operating income to		
net cash provided by operating activities:		
Operating income	\$ 349,028	\$ 910,166
Adjustments to reconcile operating income to		
net cash provided by operating activities:		
Depreciation	1,455,227	1,390,831
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	56,386	(7,258)
(Increase) decrease in prepaid and other assets	236,310	30,709
Increase (decrease) in accounts payable	(200,131)	(57,826)
Increase (decrease) in customer deposits	(20)	-
Increase (decrease) in accrued expenses	<u>60,493</u>	<u>(1,421)</u>
Net cash provided (used) by operating activities	<u>\$ 1,957,293</u>	<u>\$ 2,265,201</u>

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

GLASGOW WATER COMPANY
Notes to Financial Statements
June 30, 2012 and 2011

Note 1 – Description of Entity and Summary of Significant Accounting Policies

Organization

The combined Water and Sewer System is operated, supervised and managed by the Municipal Waterworks Commission, composed of four members and the Mayor. Said Municipal Waterworks Commission was created by ordinance on May 25, 1937, and has functioned continuously since that date. Each member is appointed by the Mayor with approval of the Common Council, from a list of four names submitted by the Commission. The Company is a component unit of the City of Glasgow, Kentucky.

The Company grants credit to customers in Glasgow and Barren County, substantially all of whom are local residents, manufacturing industries and commercial businesses.

Measurement Focus and Basis of Accounting

The term *measurement focus* is used to denote what is being measured and reported in the Company's financial statements. The Company is accounted for on the flow of economic resources measurement focus. Under this measurement focus, all assets and all liabilities associated with the operations are included in the Statement of Net Assets.

The term *basis of accounting* is used to determine when a transaction or event is recognized on the Company's financial statements. The Company uses the full accrual basis of accounting. Under this basis, revenues are recorded when earned and expenses are recorded when incurred, even though actual payment or receipt may not occur until after the period ends.

Financial Statement Presentation

The Company has elected under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Activities That Use Proprietary Fund Accounting*, to apply all applicable GASB pronouncements as well as any applicable pronouncements of the Financial Accounting Standards Board, the Accounting Principles Board, or any Accounting Research Bulletins issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements.

The accounts of the Company are organized on the basis of a proprietary fund type, specifically an enterprise fund. The activities of this fund are accounted for with a separate set of self-balancing accounts that comprise the Company's assets, liabilities, net assets, revenues and expenses. Enterprise Funds account for activities; (i) that are financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity, (ii) that are required by laws or regulations that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues, or (iii) that the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

On July 1, 2003, the Company adopted the provisions of Governmental Accounting Standards Board (GASB) No. 34 "*Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments.*" GASB 34 established standards for external financial reporting for all state and local governmental entities which includes a statement of net assets, a statement of activities and changes in net assets and a statement of cash flows. It requires the classification of net assets into three components: (i) invested in capital assets, net of related debt, (ii) restricted, and (iii) unrestricted.

GLASGOW WATER COMPANY
Notes to Financial Statements
June 30, 2012 and 2011

Note 1 – Description of Entity and Summary of Significant Accounting Policies, Continued

These classifications are defined as follows:

- *Invested in capital assets, net of related debt* - This component of net assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- *Restricted* - This component of net assets consists of constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted net assets* - This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Use of Restricted Funds

When both restricted and unrestricted resources are available for use, it is the Company's policy to use restricted resources first, then unrestricted resources as they are needed.

Inventories

Inventory is valued at cost using the first in, first out method. Inventory in the Proprietary Funds consists of expendable supplies held for future consumption or capitalization. The cost is recorded as an expense or capitalized as inventory items are consumed.

Receivables

The Company uses the direct write-off method to account for bad debts. No allowance for bad debts has been provided, as no material write-offs are expected for receivables as of June 30, 2012. The direct write-off method does not significantly depart from generally accepted accounting principles.

Capital Assets

The utility plant in service is stated at cost, except for certain unidentifiable properties constructed in the early years of operations, with funds received from the United States Government and others, which were not recorded on the books of the Company. The cost of additions to the utility plant and major replacements of retired units of property is capitalized. Cost includes direct labor, outside services, materials and transportation, employee fringe benefits, overhead, and interest on funds borrowed to finance construction. The cost and accumulated depreciation of property sold or retired is deducted from capital assets, and any profit or loss resulting from the disposal is credited or charged in the nonoperating section of the statement of revenues, expenses and changes in net assets. No provision has been made for retired or abandoned properties. The cost of current repairs, maintenance, and minor replacements is charged to expense as incurred. Depreciation has been provided over estimated useful lives of the assets using the straight-line method.

The estimated useful lives of capital assets are as follows:

Utility plant	50 years
Equipment	10 years
Other	10 -20 years

GLASGOW WATER COMPANY
Notes to Financial Statements
June 30, 2012 and 2011

Note 1 – Description of Entity and Summary of Significant Accounting Policies, Concluded

Cash and Investments

The Company considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents. Investments are reported at fair market value.

Compensated Absences

Accumulated unpaid vacation amounts are accrued when benefits vest to employees and the unpaid liability is reflected in accrued liabilities.

Long-Term Obligations

Long-term debt and other obligations are reported as liabilities on the Statement of Net Assets. Bond premiums and discounts are deferred and amortized over the life of the bonds.

Operating Revenues and Expenses

Operating revenues and expenses consists of those revenues that result from the ongoing principal operations of the Company. Operating revenues consist primarily of charges for services. Nonoperating revenues and expenses consist of those revenues and expenses that are related to financing and investing type of activities and result from nonexchange transactions.

Capital Contributions

Transmission and distribution system assets contributed to the Company by installers are capitalized at the installers' costs and recorded as capital contributions when received. Also included in capital contributions are various grants received for infrastructure and payments received from customers for tap fees.

Income Taxes

The Company is exempt from federal and state income taxes.

Extraordinary and Special Items

Extraordinary items are transactions or other events that are both unusual in nature and infrequent in occurrence. Special items are significant transactions or other events within the control of management that are either unusual in nature or infrequent in occurrence. If such items exist during the reporting period, they are reported separately in the statement of revenues, expenses and changes in net assets.

Use of Estimates

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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Date of Management's Review

Subsequent events were evaluated through October 19, 2012, which is the date the financial statements were available to be issued.

GLASGOW WATER COMPANY
Notes to Financial Statements
June 30, 2012 and 2011

Note 2 – Cash and Investments

Depreciation Fund

The ordinances authorizing the various bond issues of the Company require monthly transfers into a depreciation fund. These funds can be used for capital improvements, expansions and extraordinary repairs. Until the maximum requirement of \$200,000 is reached, \$1,000 per month or 20% of net annual income and revenues, whichever is greater, is required to be deposited into the fund.

Bond and Interest Redemption Fund

The ordinances authorizing the 2003 bond issue require a monthly deposit of one-twelfth of the annual bond and interest requirement until such time as the fund equals the maximum annual requirement due in any future years. The maximum annual requirement due of the current outstanding issue is approximately \$290,000. This reserve must be maintained through the life of the issue. As of June 30, 2012, the reserve balance exceeded the maximum annual requirement.

Deposits and Concentration of Risk

At year end, the carrying amount of the Company's cash deposits was \$3,568,282 and \$3,535,062 at June 30, 2012 and 2011, respectively.

All of the company's deposits are federally insured or are covered by assets pledged by the financial institutions holding the deposits.

The nature of the Company's cash and investments and being restricted or unrestricted is as follows:

<u>Unrestricted:</u>	<u>2012</u>	<u>2011</u>
Cash	\$ 3,058,095	\$ 2,652,804
<u>Restricted:</u>		
Cash	<u>510,187</u>	<u>882,258</u>
Total cash and investments	<u>\$ 3,568,282</u>	<u>\$ 3,535,062</u>

GLASGOW WATER COMPANY
Notes to Financial Statements
June 30, 2012 and 2011

Note 3 – Capital Assets

Capital asset activity for the year ended June 30, 2012 and 2011 was as follows:

	Balance June 30, 2011	Additions	Deletions	Balance June 30, 2012
<i><u>Non-Depreciable Assets</u></i>				
Land	\$ 52,016	\$ -	\$ -	\$ 52,016
Construction-in-Progress	977,417	20,499	(977,417)	20,499
Total Non-Depreciable Assets	<u>1,029,433</u>	<u>20,499</u>	<u>(977,417)</u>	<u>72,515</u>
<i><u>Depreciable Assets</u></i>				
Facilities	64,895,525	3,322,934	(162,496)	68,055,963
Furniture and Fixtures	189,360	23,108	-	212,468
Operating Equipment	1,547,940	133,085	(25,000)	1,656,025
Study Costs	369,708	-	-	369,708
New Office	236,741	-	-	236,741
Total Depreciable Assets	<u>67,239,274</u>	<u>3,479,127</u>	<u>(187,496)</u>	<u>70,530,905</u>
Total Capital Assets	68,268,707	3,499,626	(1,164,913)	70,603,420
Less: Accumulated Depreciation	<u>27,792,900</u>	<u>1,455,227</u>	<u>(187,496)</u>	<u>29,060,631</u>
Net Capital Assets	<u>\$ 40,475,807</u>			<u>\$ 41,542,789</u>
	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
<i><u>Non-Depreciable Assets</u></i>				
Land	\$ 52,016	\$ -	\$ -	\$ 52,016
Construction-in-Progress	-	977,417	-	977,417
Total Non-Depreciable Assets	<u>52,016</u>	<u>977,417</u>	<u>-</u>	<u>1,029,433</u>
<i><u>Depreciable Assets</u></i>				
Facilities	63,579,914	1,371,799	(56,188)	64,895,525
Furniture and Fixtures	189,360	-	-	189,360
Operating Equipment	1,548,908	59,032	(60,000)	1,547,940
Study Costs	369,708	-	-	369,708
New Office	236,741	-	-	236,741
Total Depreciable Assets	<u>65,924,631</u>	<u>1,430,831</u>	<u>(116,188)</u>	<u>67,239,274</u>
Total Capital Assets	65,976,647	2,408,248	(116,188)	68,268,707
Less: Accumulated Depreciation	<u>26,518,257</u>	<u>1,390,831</u>	<u>(116,188)</u>	<u>27,792,900</u>
Net Capital Assets	<u>\$ 39,458,390</u>			<u>\$ 40,475,807</u>

GLASGOW WATER COMPANY
Notes to Financial Statements
June 30, 2012 and 2011

Note 4 – Long-Term Debt

Long-term debt consists of the following at June 30, 2012:

In May, 2009, the Glasgow Water Company issued a refunding of the Series 1996 Water and Sewer Revenue Bonds in the amount of \$1,025,000; due in annual installments on May 15 ranging from \$140,000 to \$155,000 through May 2016; interest rate ranges from 1.0% to 2.75% due semi-annually on May 15 and November 15. \$ 600,000

Series 2003A Water and Sewer Revenue Bonds issued on October 14, 2003 in the amount of \$8,285,000; due in annual installments on May 15 ranging from \$310,000 to \$575,000 through May 2023; interest rates ranging from 2.25% to 4.50% due semi-annually on May 15 and November 15. 5,190,000

Total long-term debt \$ 5,790,000

Principal and interest maturities of long-term debt are as follows:

Future Maturities

	Principal	Interest	Total
2013	\$ 530,000	\$ 233,671	\$ 763,671
2014	550,000	216,427	766,427
2015	565,000	197,303	762,303
2016	585,000	176,992	761,992
2017	450,000	155,530	605,530
2018-2022	2,535,000	476,425	3,011,425
2023	575,000	25,879	600,879
Total	<u>\$ 5,790,000</u>	<u>\$ 1,482,227</u>	<u>\$ 7,272,227</u>

Long-term debt activities for the year ended June 30, 2012, are as follows:

	Balance June 30, 2011	Debt Payments and Reductions	Balance June 30, 2012	Amount Due within One Year
Series 2003A	\$ 5,560,000	\$ (370,000)	\$ 5,190,000	\$ 385,000
Series 2009	745,000	(145,000)	600,000	145,000
	<u>\$ 6,305,000</u>	<u>\$ (515,000)</u>	<u>\$ 5,790,000</u>	<u>\$ 530,000</u>

GLASGOW WATER COMPANY
Notes to Financial Statements
June 30, 2012 and 2011

Note 4 – Long-Term Debt, Concluded

Arbitrage

The Tax Reform Act of 1986 instituted certain arbitrage restrictions with respect to the issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of all tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service (IRS) at least every five years. During the current year, the Company performed calculations of excess investment earnings on various bonds and financings and at June 30, 2012 does not expect to incur a liability.

Note 5 – Pension Plan

The Company participates in the County Employee Retirement System (CERS), a cost-sharing multiple-employer retirement system administered by the Board of Trustees of the Kentucky Retirement Systems (KRS). CERS is a defined benefit plan created by the Kentucky General Assembly. The Plan covers substantially all full-time employees. The Plan provides for retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Cost of living adjustments are provided at the discretion of the State legislature. Benefits fully vest upon reaching 5 years of service and are established by state statute. Benefits of CERS members are calculated on the basis of age, final average salary and service credit.

CERS issues a stand-alone financial report, which may be obtained from Kentucky Retirement System, 1260 Louisville Road, Frankfort, Kentucky, 40601 or on-line at www.kyret.ky.gov.

Employees are required to contribute 5% of gross compensation to the plan. The Board of Trustees of KRS determines the Commission's required contribution annually, 18.96% and 16.93% for the years ended June 30, 2012 and 2011, respectively. For the year ended June 30, 2012 and 2011, the Company's covered payroll was approximately \$1,973,000 and \$1,786,000, respectively. The Company contributed approximately \$319,000 and \$302,000, respectively, and employees contributed approximately \$94,000 and \$90,000 to the plan.

The "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the pensions' funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among the plan and employers.

GLASGOW WATER COMPANY
Notes to Financial Statements
June 30, 2012 and 2011

Note 5 – Pension Plan, Concluded

Three Year Trend Information

CERS does not make separate measurements of assets and pension benefit obligation for individual employers. CERS presents six-year historical trend information in their June 30, 2011 financial statements showing progress in accumulating sufficient assets to pay benefits when due. The following table presents certain information regarding the Plan's status as a whole, derived from actuarial valuations performed as of the date indicated.

	CERS as of June 30, 2011	CERS as of June 30, 2010	CERS as of June 30, 2009
Actuarial Value of Assets	\$ 7,409,156,576	\$ 7,296,321,679	\$ 7,402,277,531
Actuarial Accrued Liability (AAL)	<u>11,777,126,077</u>	<u>11,131,174,187</u>	<u>10,491,358,112</u>
Unfunded (Overfunded)	<u>\$ 4,367,969,501</u>	<u>\$ 3,834,852,508</u>	<u>\$ 3,089,080,581</u>

The following table presents the last three years of total employer contributions to the Plan and the Company's contributions for the years ending June 30:

Total Plan Contributions

<u>Fiscal Year Ended</u>	Annual Required <u>Contributions</u>	Actual <u>Contributions</u>	Percentage <u>Contributed</u>
June 30, 2011	\$ 620,406,321	\$ 619,074,617	99.79%
June 30, 2010	\$ 658,673,827	\$ 539,612,942	81.92%
June 30, 2009	\$ 621,644,396	\$ 451,983,080	72.71%

Company Contributions

<u>Year Ended</u>	Annual Required <u>Contributions</u>	Actual <u>Contributions</u>	Percentage <u>Contributed</u>
2012	\$ 319,486	\$ 319,486	100.00%
2011	\$ 302,291	\$ 302,291	100.00%
2010	\$ 273,791	\$ 273,791	100.00%

As the Company is only one of several employers participating in the Plan and it is not practicable to determine the Company's portion of the unfunded past service cost or the vested benefits of the Company's portion of the Plan assets.

GLASGOW WATER COMPANY
Notes to Financial Statements
June 30, 2012 and 2011

Note 6 – Commitments and Subsequent Events

The Glasgow Water Company has secured funding through the U.S. Department of Commerce and Economic Development Administration to construct a surge basin to add capacity to the wastewater treatment plant in Glasgow, Kentucky. The grant is for \$1,944,000. As of June 30, 2012, none of these monies has been received.

The Company has also secured funding through the Kentucky Infrastructure Authority to pay for upgrades and expansions at the sewer treatment plant for \$500,000. As of June 30, 2012, \$44,340 of these funds has been received.

In September 2012, the Glasgow City Council passed a rate increase for water and sewer rates effective October 1, 2012. The increase is due to the additional revenue needed to assist in funding upgrades and expansions to existing facilities.

Note 7 – Construction in Progress

As of June 30, 2012, Glasgow Water Company had a balance of \$20,499 in construction in progress as it relates to a Waste Water Treatment Plant facilities upgrade at a total cost of approximately \$1.2 million. The project is expected to be completed in 2013.

Supplemental Information

GLASGOW WATER COMPANY
Schedule of Operating Revenues
For the Years Ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Operating revenues		
Metered water sales:		
Residential	\$ 3,332,200	\$ 3,484,513
Commercial	364,092	367,862
Wholesale	1,203,065	1,248,383
Industrial	<u>262,319</u>	<u>258,247</u>
	<u>5,161,676</u>	<u>5,359,005</u>
Flat rate:		
Municipal	45,750	45,570
Private fire protection	17,706	17,566
Cash water sales	<u>2,699</u>	<u>6,851</u>
	<u>66,155</u>	<u>69,987</u>
Sewer services:		
Residential	885,965	914,670
Commercial	373,702	400,673
Surcharge	168,722	29,833
Industrial	<u>508,607</u>	<u>494,339</u>
	<u>1,936,996</u>	<u>1,839,515</u>
Other operating revenues:		
Discounts forfeited	105,514	113,979
Connection charges	128,684	116,728
Septic/grease disposal	21,064	27,894
Recycling and billing services	9,402	8,929
Communication	<u>25,800</u>	<u>27,950</u>
	<u>290,464</u>	<u>295,480</u>
Total operating revenues (exclusive of revenue adjustments)	<u>\$ 7,455,291</u>	<u>\$ 7,563,987</u>

GLASGOW WATER COMPANY
Schedule of Operating Expenses
For the Years Ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Water:		
Pumping:		
Operations and maintenance:		
Labor	\$ 393,153	\$ 373,003
Fuel	5,908	5,197
Power	535,930	531,059
Building maintenance	25,053	30,913
Equipment maintenance	81,156	91,971
	<u>1,041,200</u>	<u>1,032,143</u>
Purification:		
Chemicals	535,664	535,877
Supplies and expenses	20,623	14,308
	<u>556,287</u>	<u>550,185</u>
Distribution:		
Operations and maintenance:		
Labor	468,981	413,435
Maintenance:		
Buildings	18,636	12,359
Meters and services	39,307	13,004
Hydrants and lines	61,826	42,066
Reservoirs and tanks	107,369	101,300
Truck expense	94,596	68,898
Ditching equipment expense	36,620	24,854
Other	82,263	71,810
	<u>909,598</u>	<u>747,726</u>
Sewer:		
Operations and maintenance:		
Labor	133,591	160,160
Maintenance lines	86,594	66,756
Service	575	10,877
Supplies	31,626	24,542
	<u>252,386</u>	<u>262,335</u>

	<u>2012</u>	<u>2011</u>
Disposal:		
Labor	281,115	267,408
Maintenance:		
Building	11,903	17,409
Lab equipment	16,596	13,712
Plant equipment	27,049	52,672
Power	302,673	264,201
Fuel	495	2,629
Chemicals	32,933	21,438
Supplies	24,684	22,632
	<u>697,448</u>	<u>662,101</u>
Commercial and general:		
Commissioners' salaries	4,979	5,142
Office and meter readers' salaries	447,335	415,194
Office supplies and expenses	120,641	88,578
Insurance	214,052	210,946
Employees' insurance	540,775	492,882
Pension expense	319,486	302,291
Taxes and licenses	144,576	136,798
Bad debts	42,338	46,853
Professional fees	21,459	18,000
Water and sewer billing service	117,904	118,418
Uniforms	46,979	39,360
GIS expenses	20,000	18,688
Contribution	-	330
Miscellaneous	129,660	72,450
	<u>2,170,184</u>	<u>1,965,930</u>
Total operating expenses (exclusive of depreciation and amortization)	<u>\$ 5,627,103</u>	<u>\$ 5,220,420</u>

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance With *Government Auditing Standards*

Commissioners of Glasgow Water Company
Glasgow, Kentucky

We have audited the financial statements of the Glasgow Water Company, for the years ended June 30, 2012 and 2011, which comprise the Glasgow Water Company's basic financial statement and have issued our report thereon dated October 19, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of Glasgow Water Company is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Glasgow Water Company's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Glasgow Water Company's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Glasgow Water Company's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Glasgow Water Company's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no

instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that were reported to management of Glasgow Water Company in a separate letter dated October 19, 2012.

This report is intended solely for the information and use of management and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Campbell, Myers & Rutledge, PLLC

Certified Public Accountants
Glasgow, Kentucky

October 19, 2012

APPENDIX E

**CITY OF GLASGOW, KENTUCKY
WATER AND SEWER REVENUE BONDS
SERIES 2012**

Form of Legal Opinion

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[Form of Approving Legal Opinion for Tax-Exempt Revenue Bonds]

The form of the legal approving opinion of Rubin & Hays, bond counsel, concerning the Tax-Exempt Bonds is set forth below. The actual opinion will be delivered on the date of delivery of the bonds referred to herein and may vary from the form set forth to reflect circumstances both factual and legal at the time of such delivery.

December ____, 2012

City of Glasgow, Kentucky
Glasgow City Hall
Glasgow, Kentucky 42141

Branch Banking & Trust Company, as Bond
Registrar/Paying Agent
223 West Nash Street
Wilson, North Carolina 27893

RE: City of Glasgow, Kentucky Water and Sewer Refunding Revenue Bonds, Series 2012, dated _____, in the original principal amount of \$_____.

We have acted as Bond Counsel in connection with the issuance by the City of Glasgow, Kentucky (the "City") of \$_____ of its City of Glasgow, Kentucky Water and Sewer Refunding Revenue Bonds, Series 2012 (the "Bonds"), dated as of the date of this Legal Opinion, bearing interest at the interest rate specified in the Bonds, payable semiannually on May 15 and November 15 of each year, with principal amounts falling due on May 15 in each of the respective years, 2013 through 2023, inclusive.

The Bonds are issued pursuant to Chapters 58 and 82 of the Kentucky Revised Statutes and a Bond Ordinance (the "Bond Ordinance") duly enacted by the City Council of the City. The Bonds are being issued for the purpose of financing the cost to currently refund the City of Glasgow, Kentucky Water and Sewer Revenue Bonds, Series 2003A that mature May 15, 2015 through May 15, 2023, inclusive (the "Refunded Bonds") and to pay all costs incident to the issuance of the Bonds.

We have examined the transcript of proceedings of the City in connection with the issuance of the Bonds and a printed specimen bond, and an executed counterpart of the Bond Ordinance.

Based on such examination, we are of the opinion that the Bonds are valid and legally binding and enforceable upon the City according to the import thereof and rank on a parity as to security and source of payment with: (i) the outstanding City of Glasgow, Kentucky Water and Sewer Revenue Bonds, Series 2003A, dated September 1, 2003 (the "Series 2003A Bonds") in the original principal amount of \$8,285,000, authorized by an Ordinance enacted by the City Council of said City on September 23, 2003 (the "2003 Bond Ordinance") and (ii) the outstanding City of Glasgow, Kentucky Water and Sewer Refunding Revenue Bonds, Series

2009, dated May 28, 2009 (the "Series 2009 Bonds") in the original amount of \$1,025,000, authorized by an Ordinance enacted by the City Council of said City on May 11, 2009 (the "2009 Bond Ordinance") and that the Bonds, the Series 2003A Bonds, and the Series 2009 Bonds are secured by and are payable from a pledge of the gross revenues of the System, and that a sufficient portion of said gross revenues has been ordered by the City to be set aside at least semiannually and pledged to the payment of the interest on and principal of the Bonds, the Series 2003A Bonds, and the Series 2009 Bonds as the same become due. We express no opinion concerning the sufficiency of such revenues for that purpose.

The City has reserved the right to issue additional bonds ranking on a parity as to security and source of payment with the Bonds, the Series 2003A Bonds, and the Series 2009 Bonds to finance future extensions, additions and/or improvements to the System, provided the necessary showings as to the earnings coverage required by the Bond Ordinance, 2003 Bond Ordinance and 2009 Bond Ordinance are in existence and properly certified.

The Bonds are exempt from registration under the Securities Act of 1933 and the Kentucky Uniform Securities Act, Chapter 292 of the Kentucky Revised Statutes, and the Bond Ordinance is exempt from qualification under the Trust Indenture Act of 1939.

Based on current rulings and official interpretations, and assuming that the City complies with certain covenants contained in the Bond Ordinance made with respect to compliance with the provisions of the Internal Revenue Code of 1986 (the "Code"), including a covenant to comply with any and all requirements as to rebate (and reports with reference thereto) to the United States of America as to certain investment earnings on the proceeds of the Bonds, we are of the opinion that: (1) interest on the Bonds is excludable from gross income for federal income tax purposes; (2) the Bonds have been validly designated as "qualified tax-exempt obligations" by the City pursuant to the provisions of Section 265(b)(3) of the Code; (3) the Bonds are an issue of "state or local bonds" which are not "private activity bonds" within the meaning of Section 103 of the Code; (4) an individual who owns any of the Bonds may be required to include in gross income a portion of his or her social security or railroad retirement payments; (5) any taxpayer (individuals or corporations) owning the Bonds may have collateral tax consequences if they are deemed to have incurred or have continued to incur indebtedness to purchase or carry tax-exempt obligations; (6) interest on the Bonds is exempt from Kentucky income taxes; and (7) the principal of the Bonds is exempt from ad valorem taxation by the Commonwealth of Kentucky and all of its political subdivisions.

No opinion is expressed regarding other federal income tax consequences caused by the receipt of interest on the Bonds.

It is to be understood that the rights of the holders of the Bonds and the enforceability of the Bonds and the Bond Ordinance may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

APPENDIX F

**CITY OF GLASGOW, KENTUCKY
WATER AND SEWER REVENUE BONDS
SERIES 2012**

Form of Continuing Disclosure Agreement

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CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the "Agreement") is made, entered into and effective as of December 20, 2012, by the **City of Glasgow, Kentucky**, 126 East Public Square, Glasgow, Kentucky 42141, a political subdivision of the Commonwealth of Kentucky (the "City") for the benefit of the Registered and Beneficial Owners of the Bonds, hereinafter identified. For purposes of this Agreement, "Beneficial Owner" means the person or entity treated as the owner of the Bonds for federal income tax purposes and "Registered Owner" means the person or entity named on the registration books of the Bond Registrar.

WITNESSETH

WHEREAS, the City adopted a bond ordinance on November 27, 2012 (the "Ordinance"), in connection with the authorization, sale and delivery of the City of Glasgow, Kentucky Water and Sewer Refunding Revenue Bonds, Series 2012, dated _____, in the original principal amount of \$_____ (the "Bonds"), which Bonds were offered for sale under the terms and conditions of an Official Statement (the "Official Statement") and approved by the authorized representative of the City;

WHEREAS, the Securities and Exchange Commission (the "SEC"), pursuant to the Securities and Exchange Act of 1934, has amended the provisions of SEC Rule 15c2-12 relating to financial disclosures by the issuers of municipal securities under certain circumstances (the "Rule");

WHEREAS, it is intended by the City that all terms utilized herein shall have the same meanings as defined by the Rule;

WHEREAS, the City is an "obligated person" as defined by the Rule and subject to the provisions of said Rule; and

WHEREAS, the City wishes to provide for the disclosure of certain information concerning the Bonds and other matters on an on-going basis as set forth herein for the benefit of the Holders of the Bonds or Beneficial Owners thereof ("Bondholders") in accordance with the provisions of the Rule.

NOW THEREFORE, in order to comply with the provisions of the Rule and in consideration of the purchase of the Bonds by the Registered and Beneficial Owners, the City agrees as follows:

1. Annual Financial Information/The Undertaking.

a. This Agreement shall constitute a written undertaking for the benefit of the Registered and Beneficial Owners of the Bonds, and is being executed and delivered solely to assist the purchasers of the Bonds in complying with subsection (b)(5) of the Rule.

b. the City shall provide Annual Financial Information with respect to each fiscal year of the City, commencing with the fiscal year ending June 30, 2012, by no later than one hundred eighty (180) days after the end of the respective fiscal year, but in any event shall provide Audited Financial Statements of the City as soon as practicable, and within 15 business days, if possible, after the final publication of date of such Audited Financial Statements, to the Municipal Securities Rulemaking Board ("MSRB") through its continuing disclosure service

portal, the Electronic Municipal Market Access system ("EMMA") at <http://www.emma.msrb.org>.

i. the City shall provide, in a timely manner, notice of any failure of the City to provide the Annual Financial Information by the date specified in subsection (a) and (b) above to EMMA.

ii. for purposes of the Rule, "Annual Financial Information" means financial information or operating data provided annually for the City of the type provided in the Official Statement.

iii. the Audited Financial Statements described above shall be prepared in accordance with generally accepted accounting principles as applied to governmental units or in accordance with the appropriate sections of KRS or Kentucky Administrative Regulations.

iv to the extent the City is obligated to file any Annual Financial Information or operating data with EMMA pursuant to this Agreement, such Annual Financial Information or operating data may be set forth in the set of documents transmitted to EMMA, or may be included by specific reference to documents available to the public on EMMA's website.

c. The City agrees to provide, in a timely manner, to EMMA, notice of events specified in Section 15c2-12(b)(5)(i)(C) of the Rule with respect to the Bonds.

d. Financial information regarding the City can be obtained from the Treasurer of the City, 126 East Public Square, Glasgow, Kentucky 42141, telephone: (270) 651-1777.

e. The City agrees that this Agreement is entered into for the benefit of those who become Registered and Beneficial Owners of the Bonds as third party beneficiaries to said Agreement.

2. Material Events Notices.

Under the Rule, Section 15c2-12(b)(5)(i)(C), the following events must be disclosed to EMMA, in a timely manner not in excess of ten (10) business days after the occurrence of such event:

- (a) principal and interest payment delinquencies;
- (b) non-payment related defaults, if material;
- (c) unscheduled draws on debt service reserves reflecting financial difficulties;
- (d) unscheduled draws on credit enhancements reflecting financial difficulties;
- (e) substitution of credit or liquidity providers, or their failure to perform;
- (f) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax-exempt status of the Bonds;
- (g) modifications to rights of the Bondholders, if material;
- (h) Bond calls, if material and tender offers;
- (i) defeasances;
- (j) release, substitution or sale of property securing repayment of the Bonds, if material;

- (k) rating changes;
- (l) bankruptcy, insolvency, receivership or similar event of the Corporation or a Borrower;
- (m) consummation of a merger, consolidation, or acquisition involving the Corporation or the sale of all or substantially all of the assets of the Corporation, other than in the ordinary course of business, the entry into a definitive agreement to undertake such action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and/or
- (n) appointment of a successor or additional trustee or the change of name of a trustee, if material.

In accordance with Rule Section 15c2-12(b)(5)(i)(D), the City agrees that in the event of a failure to provide the Annual Financial Information required under Section 1 of this Agreement, it will notify EMMA of such failure in a timely manner.

3. Special Requests For Information. Upon the request of any Registered or Beneficial Owner of the Bonds or the original purchaser of the Bonds or any subsequent broker-dealer buying or selling said Bonds on the secondary market ("Underwriters"), the City shall cause financial information or operating data regarding the conduct of the affairs of the City to be made available on a timely basis following such request.

4. Disclaimer of Liability. The City hereby disclaims any liability for monetary damages for any breach of the commitments set forth in this Agreement. Remedies for any breach of the City's continuing disclosure undertaking shall be limited to an action for specific performance or mandamus in a court of competent jurisdiction in Kentucky following notice and an opportunity to cure such a breach.

5. Final Offering Statement. The Official Statement is hereby incorporated in this Agreement as fully as if copied herein and the "annual financial information" required under Section 1 hereof shall in summary form update the specific information set forth in said Statement.

6. Duration of the Agreement. This Agreement shall be in effect so long as any of the Bonds remain outstanding and unpaid; provided, however, that the right is reserved by the City to delegate its responsibilities under the Agreement to a competent agent or trustee, or to adjust the format of the presentation of annual financial information so long as the intent and purpose of the Rule to present adequate and accurate financial information regarding the City is served.

7. Amendment; Waiver. Notwithstanding any other provision of this Agreement, the City may amend this Agreement, and any provision of this Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Section 1, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule

at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the holders of the Bonds in the same manner as provided in the Ordinance for amendments to the Ordinance with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Registered Owners or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Agreement, the City shall describe such amendment or waiver in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the City. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a material event under Section 15c2-12(b)(5)(i)(C) of the Rule, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

8. Default. In the event of a failure of the City to comply with any provision of this Agreement, the City may and, at the request of any Underwriter or any Registered or Beneficial Owner of Bonds, shall, or any Registered or Beneficial Owner may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this Agreement. A default under this Agreement shall not be deemed an event of default under the Ordinance, and the sole remedy under this Agreement in the event of any failure of the City to comply with this Agreement shall be an action to compel performance.

In witness whereof the City has executed this Agreement as of the date first above written.

CITY OF GLASGOW, KENTUCKY

By _____
Mayor

Attest:

City Clerk

APPENDIX G

**CITY OF GLASGOW, KENTUCKY
WATER AND SEWER REVENUE BONDS
SERIES 2012**

Specimen Municipal Bond Insurance Policy

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MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

ASSURED GUARANTY MUNICIPAL CORP. ("AGM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AGM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AGM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

AGM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to AGM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AGM and shall not be deemed received until received by both and (b) all payments required to be made by AGM under this Policy may be made directly by AGM or by the Insurer's Fiscal Agent on behalf of AGM. The Insurer's Fiscal Agent is the agent of AGM only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of AGM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AGM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AGM, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

By _____
Authorized Officer

OFFICIAL TERMS AND CONDITIONS OF BOND SALE

1. Date and Hour of Award. The City Clerk of the City of Glasgow, Kentucky (the "City") will until 1:00 P.M., E.T., on December 4, 2012, at her office in the Glasgow City Hall, receive competitive electronic or sealed bids for the purchase of \$4,675,000 (subject to adjustment upward or downward not to exceed \$465,000) principal amount of the City of Glasgow, Kentucky Water and Sewer Refunding Revenue Bonds, Series 2012, dated the date of initial delivery thereof (the "Bonds") maturing on May 15 of the years 2013 to 2023, inclusive, as set forth in the Official Statement. Minimum bid is \$4,604,875 (98.5% of par). Bids will be opened by the City Clerk at the stated time and then will be referred to and acted upon by the Mayor of the City, on that same day.

2. Description and Maturities of Bonds. The Bonds will be dated the date of initial delivery thereof, and will bear interest from that date payable semiannually on May 15 and November 15 of each year, commencing May 15, 2013, and will be issued as fully registered bonds (both principal and interest). The Bonds shall be in denominations of \$5,000 or any multiple thereof within the same maturity (as designated by the Purchasers). The Bonds shall be numbered R-1 and upward, and will be scheduled to mature on May 15, of each of the respective years as set forth in Exhibit A attached hereto.

Branch Banking and Trust Company, Wilson, North Carolina, the Bond Registrar, Paying Agent and Transfer Agent, will mail a check representing interest payments semiannually to each Bondowner of record on the first day of the month preceding the due date by regular United States mail postmarked not later than such date. Principal will be paid upon submission of matured (or called) bonds to the Paying Agent. Upon submission of proper assignment, such Bank, which is also the Transfer Agent, will transfer ownership of Bonds without expense to the Bondowners.

3. Optional Redemption. The Bonds are not subject to optional redemption prior to their stated maturities.

4. Authority and Purpose. The Bonds will be authorized by an Ordinance (the "Bond Ordinance"), to be enacted by the City Council of the City of Glasgow, Kentucky on November 27, 2012, under and in full compliance with the Constitution and Statutes of the Commonwealth of Kentucky and, more specifically, Sections 82.082, 58.010 through 58.140, and 58.440 of the Kentucky Revised Statutes.

The proceeds from the sale of the Bonds will be applied by the City to provide funds for the advance refunding of the City of Glasgow, Kentucky Water and Sewer Revenue Bonds, Series 2003A that mature May 15, 2015 through May 15, 2023, inclusive, and to pay all costs incident to the issuance of the Bonds.

5. Security. The Bonds, in the opinion of Bond Counsel, will constitute legal, valid, and binding special obligations of the City of Glasgow, Kentucky, will rank on a parity basis with the remaining outstanding City of Glasgow, Kentucky Water and Sewer Revenue Bonds, Series 2003A, dated September 1, 2003, in the original principal amount of \$8,285,000 (the "Series 2003A Bonds") and the outstanding City of Glasgow, Kentucky Water and Sewer Refunding Revenue Bonds, Series 2009, dated May 28, 2009, in the original amount of \$1,025,000 (the "Series 2009 Bonds"), and will be payable from and will be secured (together with said Series 2003A Bonds and Series 2009 Bonds) by the income and revenues of the

combined and consolidated municipal waterworks and sewer system (the "System") of the City and will not be general obligation bonds of the City.

Copies of the Bond Ordinance are available at the office of the City Clerk and may be examined without cost by any interested bidders.

6. Parity Bonds. The City has reserved the right to issue additional bonds ranking on a parity with these Bonds for the purpose of (a) financing the construction of extensions, additions, and/or improvements to the System, upon establishing compliance (net annual revenues of the System, as adjusted, equal to at least 125% of the maximum amount that will become due in any fiscal year for both principal and interest requirements of all bonds outstanding against the System) with the terms and conditions of the Bond Ordinance, and/or (b) refunding or refinancing the Bonds, and/or any then previously issued Parity Bonds, subject to the same requirements, or subject to the alternative requirement that any such refunding may be accomplished if and whenever same may be done without increasing the debt service requirements for the total bonds outstanding against the System prior to the issuance of the proposed Parity Bonds and the redemption of any of the outstanding Bonds to be refunded.

7. Legal Opinion. These Bonds are offered for sale on the basis of the principal of these Bonds not being subject to Kentucky ad valorem taxation and on the basis of interest on the Bonds not being subject to Kentucky income taxation and not being includable in gross income for federal income tax purposes, on the date of their delivery to the successful bidder, and subject to the final approving Legal Opinion of Rubin & Hays, Municipal Bond Attorneys, Louisville, Kentucky, based on the assumption that the City complies with the covenants made by the City with respect to compliance with the provisions of the Internal Revenue Code of 1986 (the "Code"), necessary to assure that such interest will not be includable in gross income for federal income tax purposes, and based on the assumption of compliance by the City with the requirements as to any required rebate (and reports with reference thereto) to the United States of America of certain investment earnings on the proceeds of the Bonds. Based on the foregoing assumptions, Bond Counsel is of the opinion that under existing law, regulations, decisions, and rulings, interest on the Bonds, with certain exceptions hereinafter set forth, is not subject to Kentucky income taxation and is not includable in gross income for federal income tax purposes on the date of their delivery to the successful bidder. The Purchaser will be furnished said Opinion, printed bond forms and the usual closing documents, which will include a certificate that there is no litigation pending or threatened at the time of delivery of the issue affecting the validity of the Bonds.

The City has reserved the right to amend the Bond Ordinance without obtaining the consent of the owners of the Bonds (i) to whatever extent shall, in the opinion of Bond Counsel, be deemed necessary to assure that interest on the Bonds shall be exempt from federal income taxation, and (ii) to whatever extent shall be permissible (without jeopardizing such tax exemption or the security of the owners of the Bonds) to eliminate or reduce any restrictions concerning the System, the investment of the proceeds of the Bonds, or the application of such proceeds or of the revenues of the System.

The Purchasers of the Bonds will be deemed to have relied fully upon these covenants and undertakings on the part of the City as part of the consideration for the purchase of the Bonds. To the extent that the City obtains an opinion of nationally recognized bond counsel to the effect that non-compliance with any of the covenants contained in the Bond Ordinance

authorizing the Bonds would not subject interest on the Bonds to federal income taxation or Kentucky income taxation, the City is not required to comply with such covenants and requirements

8. Bidding Requirements.

The terms and conditions of the sale of the Bonds are as follows:

- A. Bids are required to be submitted upon a standard "Bid Form" in order to provide for uniformity in submission of bids and ready determination of the best bid.
- B. Bidders are required to bid a minimum price of not less than \$4,604,875 (98.5% of par) for the \$4,675,000 of Bonds, plus any accrued interest from the date of the Bonds to the date of delivery.
- C. The determination of the best bid will be made on the basis of all bids submitted for exactly \$4,675,000 of Bonds as offered for sale under the terms and conditions herein specified. The Mayor will, at the meeting which will be held to act upon the receipt of bids for the Bonds, accept or reject such best bid, provided, however, the Mayor reserves the right to increase or decrease the total amount of Bonds sold to such best bidder (in \$5,000 denominations), so that the total amount of bonds awarded to such best bidder will be a minimum of \$4,210,000 or a maximum of \$5,140,000. In the event of any such adjustment, no rebidding or recalculation of the bids submitted will be required. The price at which such adjusted amount of bonds will be sold will be at the same price per \$1,000 of bonds as the price bid in the successful bid per \$1,000 for the \$4,675,000 of Bonds initially offered for sale.
- D. The successful bidder of the Bonds will be required to deposit with Branch Banking and Trust Company, Wilson, North Carolina, immediately available funds in the amount of 2% of the final principal amount of the Bonds, prior to the close of business on December 5, 2012, which amount shall represent the good faith deposit. The amount of the good faith deposit will be deducted from the purchase price at the time of delivery of the Bonds.
- E. Bidders for the Bonds may require that a portion of the Bonds be term bonds maturing on one or more dates (the "Term Bonds"); provided, however, that the City may require such Term Bonds to be subject to mandatory redemption by lot at a redemption price of 100% of the principal amount thereof plus accrued interest to the date of redemption on May 15 of the years and in the principal amounts set forth in the Order of the City awarding the purchase of the Bonds to the successful bidder.
- F. Bidders must state an interest rate or rates in multiples of 1/8th, 1/10th or 1/20th of one-percent.
- G. There shall be no limit on the number of different rates that may be specified in any bid and there is no maximum differential between the highest and lowest interest rates stipulated in any bid.

- H. Interest rates must be on an ascending scale, in that the interest rate for Bonds of any maturity may not be less than the interest rate stipulated for any preceding maturity.
- I. All Bonds of the same maturity shall bear the same and a single interest rate from the date thereof to maturity even though some such bonds may be subject to mandatory redemption prior to their maturity date.
- J. Within one hour after being informed that their bid is successful, the Purchasers must advise the Mayor as to the initial reoffering price(s) of the Bonds to the public, and such advice must be confirmed by written certification of the Purchasers prior to or at the time of delivery of the Bonds.
- K. The right to reject bids for any reason deemed advisable by the Mayor, and the right to waive any possible informalities, irregularities, or defects in any bid which, in the judgment of the Mayor, with the advice of the Bond Counsel, shall be minor or immaterial, is expressly reserved.
- L. Electronic bids for the Bonds must be submitted through PARITY® and no other provider of electronic bidding services will be accepted. Subscription to the PARITY® Competitive Bidding System is required in order to submit an electronic bid. The City will neither confirm any subscription nor be responsible for the failure of any prospective bidders to subscribe. For the purposes of the bidding process, the time as maintained by PARITY® shall constitute the official time with respect to all bids whether in electronic or written form. To the extent any instructions or directions set forth in PARITY® conflict with the terms of the Official Terms and Conditions of Bond Sale, this Official Terms and Conditions of Bond Sale shall prevail. Electronic bids made through the facilities of PARITY® shall be deemed an offer to purchase in response to the Notice of Bond Sale and shall be binding upon the bidders as if made by signed, sealed written bids delivered to the City. The City shall not be responsible for any malfunction or mistake made by or as a result of the use of the electronic bidding facilities provided and maintained by PARITY®. The use of PARITY® facilities are at the sole risk of the prospective bidders. For further information regarding PARITY®, potential bidders may contact PARITY®, telephone (212) 404-8102.

In the event of a system malfunction in the electronic bidding process or at the sole discretion of a bidder, bids must be made on forms which, together with an Official Statement, may be obtained at the office of the City Clerk or from the Financial Advisor, J.J.B. Hilliard, W.L. Lyons, LLC, 500 W Jefferson Street, Louisville, Kentucky, 40202, telephone (502) 588-1124. Bids must be enclosed in sealed envelopes marked "Proposal for City of Glasgow, Kentucky Water and Sewer Refunding Revenue Bonds, Series 2012" and bids must be received by the City Clerk prior to the date and hour set for the sale.
- M. The City shall provide to the successful purchaser of the Bonds a final Official Statement in accordance with SEC Rule 15c2-12. Arrangements have been made with the printer of the Preliminary Official Statement, upon submission of completion text, to print a reasonable quantity of final Official Statements in

sufficient time to meet the delivery requirements of the successful purchaser under SEC or Municipal Securities Rulemaking Board Delivery Requirements.

- N. The purchasers of the Bonds will pay the CUSIP Service Bureau charge for the assignment of CUSIP numbers, which numbers will be printed on the Bonds at no expense or cost to the Purchasers. Neither the failure to print a CUSIP number on any Bond nor any error with respect thereto shall constitute cause for failure or refusal by the purchasers thereto to accept delivery of and pay for the Bonds in accordance with the terms of the purchase agreement.
- O. The closing will be on or about December 20, 2012, provided, however, the Purchasers shall bear any bank service charge, if any, for processing the delivery of the Bonds and closing the transaction. If the Purchaser desires the Bonds to be shipped to Deposit Trust Corporation, New York, New York, it shall be at the expense of the Purchaser. It shall also pay any charges of Deposit Trust Corporation.
- P. If the Bonds are to be issued in book-entry form, they will be registered in the name of CEDE & CO., as nominee of The Depository Trust Company ("DTC"), New York, New York. Purchases will be made in book-entry form only, except as permitted by the Ordinance. Purchasers of the Bonds will not receive physical delivery of bond certificates. So long as CEDE & CO. is the registered owner of the Bonds, as nominee of DTC, interest, together with the principal of and redemption premium, if any, on the Bonds will be paid directly to DTC by the Trustee.
- Q. Upon wrongful refusal of the Purchasers to take delivery of and pay for the Bonds when tendered for delivery, the amount of the good faith deposit shall be forfeited by such Purchasers, and such amount shall be deemed liquidated damages for such default, provided, however, if said Bonds are not ready for delivery and payment within forty-five (45) days from the date of sale herein provided for, said Purchasers shall be relieved of any liability to accept the Bonds hereunder.
- R. The Purchasers will have no expense, other than the bid price plus any accrued interest and other than items referred to in N, O, and Q, herein, in connection with the purchase of the Bonds. The City will provide the printed bond blanks. The City will furnish to the Purchasers, without expense to the Purchasers, the customary non-litigation certificate, the final, approving Legal Opinion of Rubin & Hays, Municipal Bond Attorneys, Louisville, Kentucky, approving the legality of the Bonds, and the exemption of interest on the Bonds from federal and Kentucky income taxation, which opinion will be printed on the Bonds.
- S. Said Bonds are offered for sale on the basis of the principal of said Bonds not being subject to Kentucky ad valorem taxation (except inheritance taxes) and on the basis of the interest on said Bonds not being subject to Kentucky income taxation and not being includable in gross income for purposes of Federal income taxation, on the date of their delivery to the Purchasers, as more specifically provided in the Bond Ordinance.

- T. If, prior to the delivery of the Bonds, any event shall occur which alters the tax-exempt status of the Bonds, or excludability status of the interest thereon, the Purchasers shall have the privilege of avoiding the purchase contract by giving immediate written notice to the Mayor, whereupon the amount of the good faith deposit (without interest) of the Purchasers will be returned to the Purchasers, and all respective obligations of the parties will be terminated. The Mayor will accept a bid or reject all bids on the date stated at the beginning of this instrument.

Bond Counsel has reviewed the information contained in the Official Statement describing the Bonds and the provisions of the Bond Ordinance and related proceedings authorizing the Bonds, but Bond Counsel has not reviewed any of the financial data, computations, tabulations, balance sheets, financial projections and general information concerning the City, and expresses no opinion thereon, assumes no responsibility for same, and has not undertaken independently to verify any information contained therein.

**EXHIBIT A TO THE
OFFICIAL TERMS AND CONDITIONS OF BOND SALE**

Re: City of Glasgow, Kentucky Water and Sewer Refunding Revenue Bonds, Series 2012.

Maturity May 15	Principal Amount*
2013	\$ 15,000
2014	70,000
2015	485,000
2016	485,000
2017	495,000
2018	500,000
2019	505,000
2020	515,000
2021	525,000
2022	535,000
2023	545,000

** Amounts Subject to Revision*

BID FORM

Subject to the terms and conditions set forth in an Ordinance of the City Council of the City of Glasgow, Kentucky, providing for the sale of \$4,675,000* (plus or minus up to \$465,000) of City of Glasgow, Kentucky Water and Sewer Refunding Revenue Bonds, Series 2012, dated the date of initial delivery thereof (the "Bonds"), and in accordance with the Official Terms and Conditions of Bond Sale, to all of which the undersigned agrees, the undersigned hereby submits the following offer to purchase said Bonds.

We hereby bid for said \$4,675,000* principal amount of the Bonds, the total sum of \$_____ (not less than \$4,604,875) at the following annual rate(s), payable semiannually:

Maturity May 15	Principal Amount*	Interest Rate
2013	\$ 15,000	_____%
2014	70,000	_____
2015	485,000	_____
2016	485,000	_____
2017	495,000	_____
2018	500,000	_____
2019	505,000	_____
2020	515,000	_____
2021	525,000	_____
2022	535,000	_____
2023	545,000	_____

* Subject to Adjustment

Bidder's Term Bonds Option: We hereby elect to specify that all the principal amount of Bonds stated to mature on the following two or more consecutive maturity dates shall be combined to comprise the maturities of Term Bonds indicated below:

<u>Bonds Maturing</u>	<u>Term Bonds Maturing</u>
May 15, ____ through May 15, ____	May 15, ____
May 15, ____ through May 15, ____	May 15, ____
May 15, ____ through May 15, ____	May 15, ____

It is understood that the City will furnish the final, approving Legal Opinion of Rubin & Hays, Municipal Bond Attorneys, of Louisville, Kentucky, subject to the provisions as set out in detail in the Official Terms and Conditions of Bond Sale. If we are the successful bidder, we will cause to be deposited in Branch Banking and Trust Company, Wilson, North Carolina, for the account of the City of Glasgow, Kentucky, immediately available funds in the amount of 2% of the final principal amount of the Bonds, representing the good faith deposit, prior to the close of business on December 5, 2012, which amount, without interest, will be deducted from the purchase price of the Bonds when tendered to us for delivery. If we are the successful bidder, we agree to accept and make payment for the Bonds in accordance with the terms of the sale.

Respectfully submitted,

Name of Firm

By _____

Phone No. _____

Total interest cost from December 20, 2012 to final maturity	\$ _____
Plus discount	\$ _____
Net interest cost (Total interest cost plus discount)	\$ _____
Average interest cost	_____ %

The above computation of net interest cost and of average interest cost is submitted for information only and is not a part of this Bid.

**ACCEPTANCE OF BID WITH
ADJUSTMENT OF AMOUNT AND TOTAL BID PRICE**

Accepted by the City of Glasgow, Kentucky, on this December 4, 2012, for a total of \$ _____ of Bonds at an adjusted price of \$ _____, with the maturities set out below:

Maturity May 15	Principal Amount	Interest Rate
2013	\$ _____	_____ %
2014	_____	_____
2015	_____	_____
2016	_____	_____
2017	_____	_____
2018	_____	_____
2019	_____	_____
2020	_____	_____
2021	_____	_____
2022	_____	_____
2023	_____	_____

Dated this December 4, 2012.

CITY OF GLASGOW, KENTUCKY

By _____
Mayor