OFFICIAL STATEMENT

NEW ISSUE **RATING: Moody's: "A1"**
BANK QUALIFIED **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.

$6,500,000
CITY OF GLASGOW, KENTUCKY
WATER AND SEWER
REVENUE BONDS
SERIES 2013

Dated: Date of Initial Delivery **Due: May 15, as set forth on the inside front cover**

Interest on the Bonds is payable each May 15 and November 15, beginning November 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 subject to optional redemption prior to maturity as described herein.

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. Delivery of the Bonds is expected on or about September 27, 2013.

ROSS, SINCLAIRE & ASSOCIATES

Dated: September 17, 2013

MATURITY SCHEDULE

$6,500,000
CITY OF GLASGOW, KENTUCKY
WATER AND SEWER
REVENUE BONDS
SERIES 2013

Year of Maturity	Amount	Interest Rate	Yield	CUSIP #
2014	$135,000	1.000%	0.700%	377010 KH5
2015	135,000	1.000%	0.850%	377010 KJ1
2016	135,000	1.000%	1.000%	377010 KK8
2017	135,000	2.000%	1.350%	377010 KL6
2018	140,000	2.000%	1.750%	377010 KM4
2019	140,000	2.000%	2.100%	377010 KN2
2020	145,000	3.000%	2.350%	377010 KP7
2021	150,000	3.000%	2.700%	377010 KQ5
2022	155,000	3.000%	3.000%	377010 KR3
2023	160,000	3.000%	3.100%	377010 KS1

$335,000 – 3.500% Term Bond Due May 15, 2025 – Yield 3.500% – CUSIP # 377010 KU6
$550,000 – 4.500% Term Bond Due May 15, 2028 – Yield 3.900% – CUSIP # 377010 KX0
$1,100,000 – 4.500% Term Bond Due May 15, 2033 – Yield 4.500% – CUSIP # 377010 LC5 [C]
$1,365,000 – 4.625% Term Bond Due May 15, 2038 – Yield 4.800% – CUSIP # 377010 LH4
$1,720,000 – 5.000% Term Bond Due May 15, 2043 – Yield 5.050% – CUSIP # 377010 LN1

(c - priced to call)

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 Revenue Bonds, Series 2013 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.

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	James Neal
Dick Doty	Freddie Norris
Brad Groce	Karalee Oldenkamp
Stacy Hammer	Sheila Oliver
Wendell Honeycutt	Joe Trigg
Jim Marion	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

TABLE OF CONTENTS

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OFFICIAL STATEMENT

$6,500,000
CITY OF GLASGOW, KENTUCKY
WATER AND SEWER
REVENUE BONDS
SERIES 2013

INTRODUCTORY STATEMENT

This Official Statement is furnished in conjunction with the offering by the City of Glasgow, Kentucky (the "City") of $6,500,000 principal amount of its Water and Sewer Revenue Bonds, Series 2013 (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") enacted by the City Council of the City on August 14, 2013.

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 construction of additions and improvements to the wastewater treatment plant and appurtenances, 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 the Bonds.

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 November 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 maturing prior to May 15, 2024 shall not be subject to optional redemption prior to maturity. The Bonds maturing on or after May 15, 2024, are subject to optional redemption, in whole or in part, by the City prior to their stated maturities, at any time falling on or after May 15, 2023, (less than all Bonds of a single maturity to be selected in such manner as the Registrar may determine) upon payment of 100% of the principal amount to be redeemed plus accrued interest to the date of redemption.

Mandatory Redemption

The Bonds maturing on May 15, 2025 are subject to mandatory redemption on May 15 in the years and amounts as follows, at a price of 100% of the principal amount of the Bonds being redeemed plus accrued interest to the date of redemption:

Year	**Principal Amount**
2024	$165,000
2025	170,000

The Bonds maturing on May 15, 2028 are subject to mandatory redemption on May 15 in the years and amounts as follows, at a price of 100% of the principal amount of the Bonds being redeemed plus accrued interest to the date of redemption:

Year	**Principal Amount**
2026	$175,000
2027	185,000
2028	190,000

The Bonds maturing on May 15, 2033 are subject to mandatory redemption on May 15 in the years and amounts as follows, at a price of 100% of the principal amount of the Bonds being redeemed plus accrued interest to the date of redemption:

Year	**Principal Amount**
2029	$200,000
2030	210,000
2031	220,000
2032	230,000
2033	240,000

The Bonds maturing on May 15, 2038 are subject to mandatory redemption on May 15 in the years and amounts as follows, at a price of 100% of the principal amount of the Bonds being redeemed plus accrued interest to the date of redemption:

Year	**Principal Amount**
2034	$250,000
2035	260,000
2036	270,000
2037	285,000
2038	300,000

The Bonds maturing on May 15, 2043 are subject to mandatory redemption on May 15 in the years and amounts as follows, at a price of 100% of the principal amount of the Bonds being redeemed plus accrued interest to the date of redemption:

Year	**Principal Amount**
2039	$310,000
2040	325,000
2041	345,000
2042	360,000
2043	380,000

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.

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, (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, and (iii) City of Glasgow, Kentucky Water and Sewer Refunding Revenue Bonds, Series 2012, dated December 20, 2012 (the "Series 2012 Bonds") in the original principal amount of $4,440,000, authorized by an Ordinance enacted by the City Council of the City on November 27, 2012 [hereinafter the Series 2003A Bonds, Series 2009 Bonds, and Series 2012 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.

CERTAIN RISKS ASSOCIATED WITH THE BONDS

The following is a discussion of certain risks that could affect payments to be made with respect to the Bonds. Such discussion is not, and is not intended to be, exhaustive and should be read in conjunction with all other parts of this Official Statement and should not be considered as a complete description of all risks that could affect such payments. Prospective purchasers of the Bonds should analyze carefully the information contained in this Official Statement, including the Appendices hereto.

1. *Security for the Bonds*. The Bonds are limited obligations of the City payable exclusively out of the revenues received by the City from the System and, in certain circumstances, Bond proceeds and income from the temporary investment thereof. The Bonds are secured by a pledge by the City of the gross revenues of the System in accordance with the Bond Ordinance. No representation or assurance can be made that City will receive sufficient revenues from the System to pay the principal of and interest due on the Bonds. A brief description of the Security is set forth under the section entitled "SECURITY FOR THE BONDS".

2. *Limitation on Enforcement of Remedies*. Enforcement of the remedies under the Bond Ordinance may be limited or restricted by laws relating to bankruptcy and insolvency, and rights of creditors under application of general principles of equity, and may be substantially delayed in the event of litigation or statutory remedy procedures. All legal opinions delivered in connection with the Bonds relating to the enforceability contain an exception relating to the limitations that may be imposed by bankruptcy and insolvency laws, and the rights of creditors under general principals of equity.

3. *Suitability of Investment*. An investment in the Bonds involves a certain degree of risk. The interest rate borne by the Bonds is intended to compensate the investor for assuming this element of risk. Prospective investors should carefully examine this Official Statement, including the Appendices hereto, and assess their ability to bear the economic risk of such an investment and determine whether or not the Bonds are an appropriate investment for them.

4. *Additional Debt*. The Bond Ordinance permits the issuance of bonds and notes on a parity with the Outstanding Bonds. (See "SECURITY FOR THE BONDS"). Such issuances and parity bonds or notes would increase debt service requirements and could adversely affect debt service coverage on the Bonds.

5. *General Economic Conditions*. Adverse general economic conditions may result in, among other adverse circumstances, reduction in parking revenues, declines in investment portfolio values, reducing or eliminating non-operating revenues; resulting in increased funding requirements; business failures of lenders, insurers or vendors, negatively impacting the results of operations and the overall financial condition of the System.

6. *Tax-Exempt Status of the Bonds*. The tax-exempt status of the Bonds is based on the continued compliance by the City and users of property financed or refinanced with proceeds of the Bonds with certain covenants relating generally to the use of the facilities financed or refinanced with the proceeds of such Bonds, arbitrage limitations and rebate of certain excess investment earnings to the federal government. Failure to comply with such covenants with respect to the Bonds could cause interest on the Bonds to become subject to federal income taxation retroactive to the original date of issue of the Bonds. In such event, an event of default of the covenants of the Bond Ordinance may have occurred and the Bonds are subject to redemption solely as a consequence thereof, and the principal thereof may be accelerated by the Bondholders. No additional interest or penalty is payable in the event of the taxability of interest on the Bonds. See "TAX EXEMPTION".

7. *Bond Ratings*. There is no assurance that the ratings assigned to the Bonds at the time of issuance will not be lowered or withdrawn at any time, the effect of which could adversely affect the market price for, and marketability of, the Bonds. See "BOND RATING" herein.

8. *Market for the Bonds*. There is presently no secondary market for the Bonds and no assurance that a secondary market will develop. Consequently, investors may not be able to resell the Bonds purchased should they need or wish to do so for emergency or other purposes.

9. *Opinions of Legal Counsel*. The various legal opinions to be delivered concurrently with the delivery of the Bonds will be qualified, as to the enforceability of the various legal instruments by limitations imposed by the valid exercise of the constitutional powers of the Commonwealth of Kentucky and the United States of America and other governmental authorities, including police powers exercised for the benefit of the public health and welfare, and by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally, and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

The various legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions on the legal issues explicitly addressed therein. By rendering a legal opinion, the opinion giver does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or of the future performance of parties to such transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

IMPROVEMENT PROGRAM

The construction of additions and improvements to the City's wastewater treatment plant includes the construction of a new headworks building, screens, refurbished grit collector, new influent pump station, modified storm surge basin, return pump station, new circular clarifiers, RAS/WAS pumping station, septage receiving station, new WWTP electrical service, new electrical controls building, and new emergency generator along with all required piping, valves and related appurtenances.

SOURCES AND USES OF FUNDS

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

Sources of Funds:	
Par Amount of Bonds	6,500,000
Total Sources of Funds	$6,500,000
Uses of Funds:	
Improvement Program	6,148,786
Debt Service Reserve Account	123,714
Costs of Issuance[1]	227,500
Total Uses of Funds	$6,500,000

[1]Includes Underwriter's Discount, Financial Advisor, Bond Counsel and other issuance costs.

THE CITY

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 compromised 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 Appendices B, C and D.

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.

Certain Federal Income Tax Consequences

The following is a discussion of certain federal tax matters under the Code. This discussion does not purport to deal with all aspects of federal taxation that may be relevant to particular Bondholders. Prospective Bondholders, particularly those who may be subject to special rules, are advised to consult their own tax advisor regarding potential consequences arising under the laws of any state or other taxing jurisdiction.

Alternative Minimum Tax on Corporations. Section 55 of the Code imposes an alternative minimum tax on corporations equal to the excess of the tentative minimum tax for the taxable year over the regular tax for such year. The tentative minimum tax is based upon alternative minimum taxable income, which is regular taxable income with certain adjustments and increased by the amount of certain items of tax preference. Interest on tax-exempt obligations, such as the Bonds, is treated as a preference item for purposes of computing the corporate alternative minimum tax.

Financial Institutions. The Code denies banks, thrift institutions and other financial institutions a deduction for 100% of their interest expense allocable to tax-exempt obligations, such as the Bonds, acquired after August 7, 1986.

Borrowed Funds. The Code provides that interest paid on funds borrowed to purchase or carry tax-exempt obligations during a tax year is not deductible. In addition, under rules used by the Internal Revenue Service for determining when borrowed funds are considered used for the purposes of purchasing or when carrying particular assets, the purchase of obligations may be considered to have been made with borrowed funds even though the borrowed funds are not directly traceable to the purchases of such obligations.

Property and Casualty Insurance Companies. The deduction for loss reserves for property and casualty insurance companies is reduced by 15% of the sum of certain items, including the interest received on tax-exempt bonds, such as the Bonds.

Social Security and Railroad Retirement Benefits. The Code also requires recipients of certain Social Security or a Railroad Retirement benefits to take into account, in determining gross income, receipts or accruals of interest that is exempt from federal income tax.

Branch Profits Tax. Certain foreign corporations doing business in the United States may be subject to a branch profits tax on their effectively connected earnings and profits, including tax-exempt interest on obligations such as the Bonds.

S Corporations. Certain S corporations that have subchapter C earnings and profits at the close of a taxable year and gross receipts more than 25% of which are passive investment income, which includes interest on tax-exempt obligations, such as the Bonds, may be subject to a tax on excess net passive income.

Kentucky Tax Exemption

Under present law, 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.

Original Issue Discount

The Bonds or a portion thereof ("Discount Bonds") may be offered and sold to the public at a discount ("OID") from the amounts payable at maturity thereon. OID is the excess of the stated redemption price of a bond at maturity (the face amount) over the "issue price" of such bond. The issue price is the initial offering price to the public (other than to bond houses, brokers or similar persons acting in the capacity of underwriters or wholesalers) at which a substantial amount of bonds of the same maturity are sold pursuant to that initial offering. For federal income tax purposes, OID on each Discount Bond will accrue over the term of the Discount Bond. The amount accrued will be based on a single rate of interest, compounded semiannually (the "yield to maturity") and, during each semi-annual period, the amount will accrue ratably on a daily basis. The OID accrued during the period that an initial purchaser of a Discount Bond at its issue price owns is added to the purchaser's tax basis for purposes of determining gain or loss at the maturity, redemption, sale or other disposition of that Discount Bond. In practical effect, accrued OID is treated as stated interest, that is, as excludible from gross income for federal income tax purposes.

In addition, OID that accrues in each year to an owner of a Discount Bond is included in the calculation of the distribution requirements of certain regulated investment companies and may result in some of the collateral federal income tax consequences discussed above.

Consequently, owners of any Discount Bond should be aware that the accrual of OID in each year may result in additional federal income tax consequences.

Holders of Discount Bonds should consult their own tax advisors as to the treatment of OID and the tax consequences of the purchase of such Discount Bonds other than at the issue price during the initial public offering and as to the treatment of OID for state tax purposes.

Original Issue Premium

The Bonds or a portion thereof ("Premium Bonds") may be offered and sold to the public at a premium ("Acquisition Premium") from the amounts payable at maturity thereon. Acquisition Premium is the excess of the cost of a bond over the stated redemption price of such bond. For federal income tax purposes, the amount of Acquisition Premium on the Premium Bonds must be amortized and will reduce the holder's adjusted basis in that Premium Bond. However, no amount of amortized Acquisition Premium on the Premium Bonds may be deducted in determining bondholder's taxable income for federal income tax purposes. The amount of any Acquisition Premium paid on the Premium Bonds that must be amortized during any period will be based on the "constant yield" method, using the original bondholder's basis in such Premium Bonds and compounding semiannually. This amount is amortized ratably over that semiannual period on a daily basis.

In addition, for any Premium Bonds that are callable prior to their stated maturity, the required amortization period for the Acquisition Premium will depend on which call date produces the greatest diminution in the yield to the holder. For any Premium Bonds not callable prior to their stated maturity date, the amortization period will end on the stated maturity date.

Holders of any Premium Bonds, both original purchasers and any subsequent purchasers, should consult their own tax advisors as to the actual effect of any Acquisition Premium with respect to their own federal income tax situation and as to the treatment of the Acquisition Premium for state tax purposes.

Future Tax Legislation

Proposed, pending or future tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of the interest on the Bonds subsequent to their issuance. Future legislation could directly or indirectly reduce or eliminate the value of certain deductions and exclusions, including the benefit of the exclusion of tax-exempt interest on the Bonds from gross income for federal income tax purposes or the exemption of interest on the Bonds from Kentucky taxation. Any such proposed legislation, actions or decisions, whether or not enacted, taken or rendered, could also adversely affect the value and liquidity of the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding the forgoing matters.

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 "A1", 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.

UNDERWRITING

The Bonds are to be purchased by Ross, Sinclaire & Associates, LLC (the "Underwriter"). The Underwriter has agreed, subject to certain conditions, to purchase the Bonds at an aggregate purchase price of $6,350,000 (which is equal to the principal amount of the Bonds, less net original issue discount of $9,372.90 and less underwriting discount of $120,627.90). The Underwriter will be obligated to purchase all of the Bonds if any are purchased. The Underwriter has advised the City that it intends to make a public offering of the Bonds at the initial public offering yields set forth on the cover page hereof, provided, however, that the Underwriter has reserved the right to make concessions to dealers and to change such initial public offering prices as the Underwriter shall deem necessary in connection with the marketing 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.

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 */s/ Rhonda Trautman*
Mayor

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APPENDICES

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APPENDIX A

CITY OF GLASGOW, KENTUCKY
WATER AND SEWER REVENUE BONDS
SERIES 2013

Annual Debt Service Requirements on Series 2013 Bonds

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CITY OF GLASGOW, KENTUCKY
WATER AND SEWER REVENUE BONDS
SERIES 2013

DEBT SERVICE REQUIREMENTS

Date	Coupon	Principal	Interest	Gross P+I	Fiscal Total
11/15/2013	-	-	$35,434.17	$35,434.17	
5/15/2014	1.000%	$135,000.00	132,878.13	267,878.13	$303,312.30
11/15/2014	-	-	132,203.13	132,203.13	
5/15/2015	1.000%	135,000.00	132,203.13	267,203.13	399,406.26
11/15/2015	-	-	131,528.13	131,528.13	
5/15/2016	1.000%	135,000.00	131,528.13	266,528.13	398,056.26
11/15/2016	-	-	130,853.13	130,853.13	
5/15/2017	2.000%	135,000.00	130,853.13	265,853.13	396,706.26
11/15/2017	-	-	129,503.13	129,503.13	
5/15/2018	2.000%	140,000.00	129,503.13	269,503.13	399,006.26
11/15/2018	-	-	128,103.13	128,103.13	
5/15/2019	2.000%	140,000.00	128,103.13	268,103.13	396,206.26
11/15/2019	-	-	126,703.13	126,703.13	
5/15/2020	3.000%	145,000.00	126,703.13	271,703.13	398,406.26
11/15/2020	-	-	124,528.13	124,528.13	
5/15/2021	3.000%	150,000.00	124,528.13	274,528.13	399,056.26
11/15/2021	-	-	122,278.13	122,278.13	
5/15/2022	3.000%	155,000.00	122,278.13	277,278.13	399,556.26
11/15/2022	-	-	119,953.13	119,953.13	
5/15/2023	3.000%	160,000.00	119,953.13	279,953.13	399,906.26
11/15/2023	-	-	117,553.13	117,553.13	
5/15/2024	3.500%	165,000.00	117,553.13	282,553.13	400,106.26
11/15/2024	-	-	114,665.63	114,665.63	
5/15/2025	3.500%	170,000.00	114,665.63	284,665.63	399,331.26
11/15/2025	-	-	111,690.63	111,690.63	
5/15/2026	4.500%	175,000.00	111,690.63	286,690.63	398,381.26
11/15/2026	-	-	107,753.13	107,753.13	
5/15/2027	4.500%	185,000.00	107,753.13	292,753.13	400,506.26
11/15/2027	-	-	103,590.63	103,590.63	
5/15/2028	4.500%	190,000.00	103,590.63	293,590.63	397,181.26
11/15/2028	-	-	99,315.63	99,315.63	
5/15/2029	4.500%	200,000.00	99,315.63	299,315.63	398,631.26
11/15/2029	-	-	94,815.63	94,815.63	
5/15/2030	4.500%	210,000.00	94,815.63	304,815.63	399,631.26
11/15/2030	-	-	90,090.63	90,090.63	
5/15/2031	4.500%	220,000.00	90,090.63	310,090.63	400,181.26
11/15/2031	-	-	85,140.63	85,140.63	
5/15/2032	4.500%	230,000.00	85,140.63	315,140.63	400,281.26
11/15/2032	-	-	79,965.63	79,965.63	
5/15/2033	4.500%	240,000.00	79,965.63	319,965.63	399,931.26
11/15/2033	-	-	74,565.63	74,565.63	
5/15/2034	4.625%	250,000.00	74,565.63	324,565.63	399,131.26
11/15/2034	-	-	68,784.38	68,784.38	
5/15/2035	4.625%	260,000.00	68,784.38	328,784.38	397,568.76
11/15/2035	-	-	62,771.88	62,771.88	
5/15/2036	4.625%	270,000.00	62,771.88	332,771.88	395,543.76
11/15/2036	-	-	56,528.13	56,528.13	
5/15/2037	4.625%	285,000.00	56,528.13	341,528.13	398,056.26
11/15/2037	-	-	49,937.50	49,937.50	
5/15/2038	4.625%	300,000.00	49,937.50	349,937.50	399,875.00
11/15/2038	-	-	43,000.00	43,000.00	
5/15/2039	5.000%	310,000.00	43,000.00	353,000.00	396,000.00
11/15/2039	-	-	35,250.00	35,250.00	
5/15/2040	5.000%	325,000.00	35,250.00	360,250.00	395,500.00
11/15/2040	-	-	27,125.00	27,125.00	
5/15/2041	5.000%	345,000.00	27,125.00	372,125.00	399,250.00
11/15/2041	-	-	18,500.00	18,500.00	
5/15/2042	5.000%	360,000.00	18,500.00	378,500.00	397,000.00
11/15/2042	-	-	9,500.00	9,500.00	
5/15/2043	5.000%	380,000.00	9,500.00	389,500.00	399,000.00
Total		$6,500,000.00	$5,360,706.28	$11,860,706.28	$11,860,706.28

CITY OF GLASGOW, KENTUCKY
WATER AND SEWER REVENUE BONDS
SERIES 2013

ANNUAL DEBT SERVICE REQUIREMENTS

		Series 2013			
Date	**Existing Debt Service**	**Principal**	**Interest**	**Total P+I**	**Net New D/S**
6/30/2014	$703,537.50	$135,000.00	$168,312.30	$303,312.30	$1,006,849.80
6/30/2015	698,887.50	135,000.00	264,406.26	399,406.26	1,098,293.76
6/30/2016	700,762.50	135,000.00	263,056.26	398,056.26	1,098,818.76
6/30/2017	542,300.00	135,000.00	261,706.26	396,706.26	939,006.26
6/30/2018	542,900.00	140,000.00	259,006.26	399,006.26	941,906.26
6/30/2019	543,300.00	140,000.00	256,206.26	396,206.26	939,506.26
6/30/2020	538,500.00	145,000.00	253,406.26	398,406.26	936,906.26
6/30/2021	543,600.00	150,000.00	249,056.26	399,056.26	942,656.26
6/30/2022	538,400.00	155,000.00	244,556.26	399,556.26	937,956.26
6/30/2023	536,812.50	160,000.00	239,906.26	399,906.26	936,718.76
6/30/2024	-	165,000.00	235,106.26	400,106.26	400,106.26
6/30/2025	-	170,000.00	229,331.26	399,331.26	399,331.26
6/30/2026	-	175,000.00	223,381.26	398,381.26	398,381.26
6/30/2027	-	185,000.00	215,506.26	400,506.26	400,506.26
6/30/2028	-	190,000.00	207,181.26	397,181.26	397,181.26
6/30/2029	-	200,000.00	198,631.26	398,631.26	398,631.26
6/30/2030	-	210,000.00	189,631.26	399,631.26	399,631.26
6/30/2031	-	220,000.00	180,181.26	400,181.26	400,181.26
6/30/2032	-	230,000.00	170,281.26	400,281.26	400,281.26
6/30/2033	-	240,000.00	159,931.26	399,931.26	399,931.26
6/30/2034	-	250,000.00	149,131.26	399,131.26	399,131.26
6/30/2035	-	260,000.00	137,568.76	397,568.76	397,568.76
6/30/2036	-	270,000.00	125,543.76	395,543.76	395,543.76
6/30/2037	-	285,000.00	113,056.26	398,056.26	398,056.26
6/30/2038	-	300,000.00	99,875.00	399,875.00	399,875.00
6/30/2039	-	310,000.00	86,000.00	396,000.00	396,000.00
6/30/2040	-	325,000.00	70,500.00	395,500.00	395,500.00
6/30/2041	-	345,000.00	54,250.00	399,250.00	399,250.00
6/30/2042	-	360,000.00	37,000.00	397,000.00	397,000.00
6/30/2043	-	380,000.00	19,000.00	399,000.00	399,000.00
Total	$5,889,000.00	$6,500,000.00	$5,360,706.28	$11,860,706.28	$17,749,706.28

APPENDIX B

CITY OF GLASGOW, KENTUCKY
WATER AND SEWER REVENUE BONDS
SERIES 2013

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 2012 estimated population of 14,095, 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 2012 estimated population of 42,631, has a land area of 491 square miles.

The Economic Framework

The total number of Barren County residents employed in 2012 averaged 18,219. Manufacturing firms in the county reported 3,661 employees; trade, transportation and utilities provided 3,180 jobs; 5,336 people were employed in service occupations; informational, financial activities and public administration accounted for 1,124 employees; and contract construction firms provided 604 jobs.

Labor Supply

There is a current estimated labor supply of 15,970 persons in the labor market area. In addition, from 2013 through 2016, 15,558 young persons in the area will become 18 years of age and potentially available for work. The largest firms in Barren County (as of September 2013) are listed below:

Firm	Product	Average Employment
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
Nemak	Die cast aluminum automotive parts and components warehouse	377
ACK Controls Inc	Automotive control cables	360
Dana Corporation	Heavy duty truck axles & brakes	220
Federal-Mogul Products	Heavy duty truck brake friction blocks	165
Bluegrass Dairy and Food LLC	Dehydrated dairy and non-dairy ingredients	120
Ply-Tech Corp.	Architectural & furniture plywood	100
Lyons Co. Inc.	Sheet metal fabricating, mechanical contractors and engineers	100

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)
2009 through 2013

Year	Per Capita Income	Median Family Income	Average Weekly Wage	Unemployment Rate	Civilian Labor Force	Employment
2013	(1)	$51,500	(1)	7.8% (2)	19,881 (2)	18,329 (2)
2012	(1)	49,900	(1)	8.1	19,818	18,219
2011	$29,128	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

Source: Kentucky Department of Economic Development; Bureau of Labor Statistics
(1) Data not available.
(2) As of May 2013

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APPENDIX C

CITY OF GLASGOW, KENTUCKY
WATER AND SEWER REVENUE BONDS
SERIES 2013

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)]:

All Meter Sizes	Inside City Limits	Outside City Limits
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

Meter Size	Inside City Limits	Outside City Limits
¾”	$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 $50.00
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

2008-2012 Water System Rate Structure:

All Meter Sizes	Inside City Limits	Outside City Limits
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

Meter Size	Inside City Limits	Outside City Limits
¾”	$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

	Calendar Year				
	2013*	**2012**	**2011**	**2010**	**2009**
Annual Pumpage	1,197,517,781	2,584,520,513	2,589,786,222	2,460,902,101	2,795,465,857
Annual Usage	915,672,100	1,939,726,300	1,971,722,200	2,025,742,500	2,084,120,100
Avg Daily Water Pumpage	3,280,870	7,080,878.11	7,095,304.71	6,742,197.53	7,658,810.56
Avg. Daily Water Usage	2,508,690	5,314,318.63	5,401,978.63	5,549,979.45	5,709,918.08
Percent Water Loss [(2)]	31%	25%	24%	18%	26%
Peak Pumpage/Usage	6,935,242	11,446,483	9,631,604	10,150,478	9,258,355
System Capacity (MGD)	14.5	14.5	14.5	14.5	14.5

Source: City of Glasgow
*As of June 30, 2013

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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 to include calendar year 2013 (as of June 30, 2013):

Calendar Year	Residential	Comm./Industrial	Total
2013*	15,140	1,273	16,413
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

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 calendar years 2008-2012 to include calendar year 2013 (as of June 30, 2013).

Calendar Year 2013*

Customer	Revenue ($)	% of Revenue	Annual Gallons (MG)
Allen County Water	$301,157.68	10.46%	154.44
Edmonton Water Works	225,355.08	7.82	115.58
Bluegrass Dairy	63,515.74	2.21	29.75
T J Samson Hospital	41,337.85	1.44	19.38
Fountain Run Water	31,761.03	1.10	16.28
Coral Hill Dairy	27,671.11	0.96	11.58
Akebono Break	25,033.39	0.87	11.25
Caveland Environmental	24,767.37	0.86	12.7
RR Donnelley	20,312.10	0.71	8.98
J L French	18,454.43	0.64	8.02

*As of June 30, 2013

[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.

Calendar Year 2012

Customer	Revenue ($)	% of Revenue	Annual Gallons (MG)
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

Calendar Year 2011

Customer	Revenue ($)	% of Revenue	Annual Gallons (MG)
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

Calendar Year 2010

Customer	Revenue ($)	% of Revenue	Annual Gallons (MG)
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

Calendar Year 2009

Customer	Revenue ($)	% of Revenue	Annual Gallons (MG)
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

Calendar Year 2008

Customer	Revenue ($)	% of Revenue	Annual Gallons (MG)
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

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SEWER SYSTEM

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

All Meter Sizes	Inside City Limits	Outside City Limits
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 2008-2012 Rate Structure

All Meter Sizes	Inside City Limits	Outside City Limits
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]

Calendar Year	Annual Flow (MG) [5]	Peak Flow (MGD)	Average Daily Flow (MGD)	System Capacity (MGD)
2013*	516.87	6.39	2.64	6
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
*As of June 30, 2013

[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 to include calendar year 2013 (as of June 30, 2013):

Calendar Year	Residential	Comm./Industrial	Total
2013*	5,026	888	5,914
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
*As of June 30, 2013

Set forth below is a list of the ten largest customers of the sewer system during calendar years 2008-2012 to include calendar year 2013 (as of June 30, 2013).

Calendar Year 2013*:

Customer	Revenue ($)	% of Revenue	Annual Gallons (MG)
Bluegrass Dairy	$124,639.10	8.90%	29.75
T.J. Samson Hospital	71,772.00	5.13	19.38
Akebono Brake	40,643.38	2.90	11.25
J.L. French	33,645.99	2.40	8.02
R.R. Donnelley & Sons	27,731.79	1.98	8.98
Alcan Composites	23,729.32	1.70	5.65
Barren River State Park	22,170.18	1.58	7.14
NHC Healthcare	19,275.03	1.38	4.59
Dana Corporation	18,995.77	1.36	4.01
Barren County Board of Education	12,281.52	0.88	3.40

*As of June 30, 2013

Calendar Year 2012:

Customer	Revenue ($)	% of Revenue	Annual Gallons (MG)
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

Calendar Year 2011:

Customer	Revenue ($)	% of Revenue	Annual Gallons (MG)
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

Calendar Year 2010:

Customer	Revenue ($)	% of Revenue	Annual Gallons (MG)
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

Calendar Year 2009:

Customer	Revenue ($)	% of Revenue	Annual Gallons (MG)
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

Calendar Year 2008:

Customer	Revenue ($)	% of Revenue	Annual Gallons (MG)
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 to include calendar year 2013 (as of June 30, 2013):

Calendar Year	Water Gallons Produced	Water Gallons Sold	Water Revenues	Sewer Gallons Sold	Sewer Revenues
2013*	2,287,765,399	2,031,033,700	$5,989,113	571,088,100	$2,258,459
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
*As of June 30, 2013

City of Glasgow, Water District
Audited Balance Sheets

	As of June 30, 2012	2011	2010	2009	2008
CURRENT ASSETS					
Cash	$3,058,095	$2,652,804	$3,002,341	$2,003,608	$1,987,566
Short term investments	-	-	-	-	200,000
Inventory, at cost	216,449	224,666	253,767	316,343	279,127
Accounts receivable:					
Water and sewer	416,090	407,590	439,219	383,179	362,216
Other	31,919	96,805	57,918	48,997	60,243
Prepaid and other assets	-	217,076	206,215	202,803	216,413
Total Current Assets	$3,722,553	$3,598,941	$3,959,460	$2,954,930	$3,105,565
NON-CURRENT ASSETS					
Restricted Assets					
Cash - Depreciation fund	382,634	451,273	38,310	2,287	6,838
Cash - Bond and interest redemption fund	127,553	127,467	180,217	214,764	243,570
Cash - Construction fund	-	303,518	349,385	728,577	780,106
Total Restricted Assets	$510,187	$882,258	$567,912	$945,628	$1,030,514
Capital Assets					
Construction-in-progress	20,499	977,417	-	-	-
Utility plant in service	70,582,921	67,291,290	65,976,647	63,971,447	62,818,746
Accumulated depreciation	(29,060,631)	(27,792,900)	(26,518,257)	(25,312,571)	(24,108,597)
Total Capital Assets	$41,542,789	$40,475,807	$39,458,390	$38,658,876	$38,710,149
Other Assets					
Source of water supply, net	985	1,453	1,922	2,391	2,859
Debt discounts, net	58,983	69,532	81,532	95,182	121,558
Total Other Assets	$59,968	$70,985	$83,454	$97,573	$124,417
Total Non-Current Assets	$42,112,944	$41,429,050	$40,109,756	$39,702,077	$39,865,080
TOTAL ASSETS	$45,835,497	$45,027,991	$44,069,216	$42,657,007	$42,970,645
CURRENT LIABILITIES					
Accounts payable	$205,603	$395,498	$216,335	$337,123	$281,224
Accrued liabilities	211,527	151,034	152,455	168,419	169,324
Customer deposits	102,950	102,970	102,970	102,980	103,005
Total Current Liabilities	$520,080	$649,502	$471,760	$608,522	$553,553
LIABILITIES PAYABLE FROM RESTRICTED ASSETS					
Accounts payable - construction	20,499	30,735	267,724	-	74,626
Current maturities of long-term debt	530,000	515,000	810,000	915,000	995,000
Accrued interest	29,209	31,168	34,197	37,290	49,706
Total Liabilities Payable from Restricted Assets	$579,708	$576,903	$1,111,921	$952,290	$1,119,332
LONG-TERM LIABILITIES					
Long-term debt, less current maturities	5,260,000	5,790,000	6,305,000	7,115,000	8,660,000
Total Long-term Liabilities	$5,260,000	$5,790,000	$6,305,000	$7,115,000	$8,660,000
TOTAL LIABILITIES	$6,359,788	$7,016,405	$7,888,681	$8,675,812	$10,332,885
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
Restricted for equipment replacement	382,634	451,273	38,310	2,287	6,838
Restricted for construction projects	-	303,518	349,385	728,577	780,106
Restricted for debt retirement	98,344	96,299	146,020	177,474	193,864
Unrestricted	3,262,441	3,020,424	3,571,154	2,443,981	2,676,429
TOTAL NET ASSETS	$39,475,709	$38,011,586	$36,180,535	$33,981,195	$32,637,760

Source: City of Glasgow, Ky Water and Sewer

City of Glasgow, Water District
Statement of Revenue and Expenses

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

Source: City of Glasgow, Ky Water and Sewer

Interim Financial Information

Statements of Income and Retained Earnings

		For the Period Ending June 30, 2013
OPERATING REVENUES		
Residential	$	3,864,695
Commercial		447,003
Wholesale		1,289,549
Industrial water		387,867
Municipal		45,835
Private		18,202
Miscellaneous		285,564
Sewer		2,300,430
Other Revenues		161,524
Subtotal Operating Revenues	$	8,800,670
Less: Adjustment of operating revenue	$	(60,888)
TOTAL OPERATING REVENUES	$	8,739,782
OPERATING EXPENSES		
Pumping and purification	$	1,744,267
Distribution		864,267
Sewer line		317,612
Sewer disposal		742,196
Water and sewer		3,976,421
TOTAL OPERATING EXPENSES	$	7,644,764
NET OPERATING INCOME/(LOSS)	$	1,095,018

Source: Unaudited financial information provided by the City of Glasgow, Ky Water and Sewer

Interim Financial Information

Balance Sheets

ASSETS

		As of June 30, 2013
CURRENT ASSETS		
Fixed property	$	37,463,971
Special funds		2,859,550
Operating funds		1,973,017
Total Current Assets	$	42,296,538
Less: Fixed Assets		(220,540)
TOTAL ASSETS	$	42,075,999
CURRENT LIABILITIES		
Accounts Payable	$	299,733
Other Current Liabilities		479,692
Total Current Liabilities	$	779,425
LONG-TERM LIABILITIES		
Bonds Payable	$	865,495
Total Long-Term Liabilities	$	865,495
TOTAL LIABILITIES	$	1,644,920
EQUITY		
Contributed capital	$	15,755,517
Earned surplus		23,720,508
Subtotal Equity	$	39,476,026
Net earnings to date		1,812,579
TOTAL EQUITY	$	41,288,604
TOTAL LIABILITIES AND EQUITY	$	42,933,524

Source: Unaudited Financial Information provided by the City of Glasgow, Ky Water and Sewer

Outstanding Debt Obligations

The following represents the outstanding debt obligations of the Glasgow Water Company as of September 17, 2013.

	Final Maturity	Amount Issued	Amount Matured	Balance Outstanding
Parity Debt (1)				
Series 2003A Revenue Bonds (2)	2014	$8,285,000	$7,885,000	$400,000
Series 2009 Refunding Bonds	2016	1,025,000	570,000	455,000
Series 2012 Refunding Bonds	2023	4,440,000	10,000	4,430,000
Total Parity Debt		$13,750,000	$8,465,000	$5,285,000

Source: Glasgow Water Company

(1) The Series 2013 Bonds will rank on parity with the Series 2003A, 2009 and 2012 Bonds.

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APPENDIX D

CITY OF GLASGOW, KENTUCKY
WATER AND SEWER REVENUE BONDS
SERIES 2013

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

Table of Contents

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

	2012	2011
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	$ 45,835,497	$ 45,027,991
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	$ 6,359,788	$ 7,016,405
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	$ 39,475,709	$ 38,011,586

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

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

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 2012-3013. 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:

WATER RATES

		Inside City Limits (per 1,000 Gal)	Outside City Limits (per 1,000 gal)
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

SEWER RATES

(Based on Meter Reading)		Inside City Limits (per 1,000 Gal)	Outside City Limits (per 1,000 Gal)
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

	2012	2011
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	3,722,553	3,598,941
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	510,187	882,258
Capital Assets		
Construction-in-progress	20,499	977,417
Utility plant in service	70,582,921	67,291,290
Accumulated depreciation	(29,060,631)	(27,792,900)
Net Capital Assets	41,542,789	40,475,807
Other Assets		
Source of water supply, net	985	1,453
Debt discounts, net	58,983	69,532
Total Other Assets	59,968	70,985
Total Non-current Assets	42,112,944	41,429,050
Total Assets	$ 45,835,497	$ 45,027,991

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

	2012	2011
Liabilities		
Current Liabilities		
Accounts payable	$ 205,603	$ 395,498
Accrued liabilities	211,527	151,034
Customer deposits	102,950	102,970
Total Current Liabilities	520,080	649,502
Liabilities Payable from Restricted Assets		
Accounts payable - construction	20,499	30,735
Current maturities of long-term debt	530,000	515,000
Accrued interest	29,209	31,168
Total Liabilities Payable from Restricted Assets	579,708	576,903
Long-term Liabilities		
Long-term debt, less current maturities	5,260,000	5,790,000
Total Long-term Liabilities	5,260,000	5,790,000
Total Liabilities	6,359,788	7,016,405
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	3,262,441	3,020,424
Total Net Assets	$ 39,475,709	$ 38,011,586

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

	2012	2011
Operating revenues:		
Water	$ 5,227,831	$ 5,428,992
Sewer services	1,936,996	1,839,515
Other	290,464	295,480
Revenue adjustments	(13,384)	(30,570)
Total operating revenues	7,441,907	7,533,417
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	10,549	12,000
Total operating expenses	7,092,879	6,623,251
Operating income	349,028	910,166
Non-operating revenue (expenses):		
Interest income	50,212	62,419
Interest expense on bonds	(247,383)	(270,548)
Total non-operating revenue (expenses)	(197,171)	(208,129)
Income before capital contributions	151,857	702,037
Capital contributions	1,312,266	1,129,014
Increase in net assets	1,464,123	1,831,051
Net assets:		
Beginning of year	38,011,586	36,180,535
End of year	$ 39,475,709	$ 38,011,586

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

	2012	2011
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	(2,775,991)	(2,600,531)
Net cash provided (used) by operating activities	1,957,293	2,265,201
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	1,312,266	1,129,014
Net cash provided (used) in financing activities	(2,277,813)	(2,408,711)
Cash flows from investing activities:		
Investment income	50,212	62,419
Investments sold	303,528	45,900
Net cash provided by (used) in investing activities	353,740	108,319
Net increase (decrease) in cash and cash equivalents	33,220	(35,191)
Cash and cash equivalents, beginning of year	3,535,062	3,570,253
Cash and cash equivalents, end of year	$ 3,568,282	$ 3,535,062
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	60,493	(1,421)
Net cash provided (used) by operating activities	$ 1,957,293	$ 2,265,201

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

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.

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

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.

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:

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

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
Non-Depreciable Assets				
Land	$ 52,016	$ -	$ -	$ 52,016
Construction-in-Progress	977,417	20,499	(977,417)	20,499
Total Non-Depreciable Assets	1,029,433	20,499	(977,417)	72,515
Depreciable Assets				
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	67,239,274	3,479,127	(187,496)	70,530,905
Total Capital Assets	68,268,707	3,499,626	(1,164,913)	70,603,420
Less: Accumulated Depreciation	27,792,900	1,455,227	(187,496)	29,060,631
Net Capital Assets	$ 40,475,807			$ 41,542,789

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
Non-Depreciable Assets				
Land	$ 52,016	$ -	$ -	$ 52,016
Construction-in-Progress	-	977,417	-	977,417
Total Non-Depreciable Assets	52,016	977,417	-	1,029,433
Depreciable Assets				
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	65,924,631	1,430,831	(116,188)	67,239,274
Total Capital Assets	65,976,647	2,408,248	(116,188)	68,268,707
Less: Accumulated Depreciation	26,518,257	1,390,831	(116,188)	27,792,900
Net Capital Assets	$ 39,458,390			$ 40,475,807

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	$ 5,790,000	$ 1,482,227	$ 7,272,227

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
	$ 6,305,000	$ (515,000)	$ 5,790,000	$ 530,000

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.

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)	11,777,126,077	11,131,174,187	10,491,358,112
Unfunded (Overfunded)	$ 4,367,969,501	$ 3,834,852,508	$ 3,089,080,581

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

Fiscal Year Ended	Annual Required Contributions	Actual Contributions	Percentage Contributed
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

Year Ended	Annual Required Contributions	Actual Contributions	Percentage Contributed
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.

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

	2012	2011
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	262,319	258,247
	5,161,676	5,359,005
Flat rate:		
Municipal	45,750	45,570
Private fire protection	17,706	17,566
Cash water sales	2,699	6,851
	66,155	69,987
Sewer services:		
Residential	885,965	914,670
Commercial	373,702	400,673
Surcharge	168,722	29,833
Industrial	508,607	494,339
	1,936,996	1,839,515
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	25,800	27,950
	290,464	295,480
Total operating revenues (exclusive of revenue adjustments)	$ 7,455,291	$ 7,563,987

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

	2012	2011
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
	1,041,200	1,032,143
Purification:		
Chemicals	535,664	535,877
Supplies and expenses	20,623	14,308
	556,287	550,185
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
	909,598	747,726
Sewer:		
Operations and maintenance:		
Labor	133,591	160,160
Maintenance lines	86,594	66,756
Service	575	10,877
Supplies	31,626	24,542
	252,386	262,335

	2012	2011
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
	697,448	662,101
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
	2,170,184	1,965,930
Total operating expenses (exclusive of depreciation and amortization)	$ 5,627,103	$ 5,220,420

CAMPBELL, MYERS, & RUTLEDGE, PLLC

Certified Public Accountants

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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 2013

Form of Legal Opinion

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Rubin & Hays ATTORNEYS AT LAW

Kentucky Home Trust Building, 450 South Third Street, Louisville, Kentucky 40202-1410
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CHARLES S. MUSSON
W. RANDALL JONES
CHRISTIAN L. JUCKETT

September 27, 2013

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 Revenue Bonds, Series 2013, dated September 27, 2013, in the original principal amount of $6,500,000.

We have acted as Bond Counsel in connection with the issuance by the City of Glasgow, Kentucky (the "City") of $6,500,000 of its City of Glasgow, Kentucky Water and Sewer Revenue Bonds, Series 2013 (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, 2014 through 2043, 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 providing funds for the construction of additions and improvements to the wastewater treatment plant and appurtenances 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 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, (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, and (iii) City of Glasgow, Kentucky Water and Sewer Refunding Revenue Bonds, Series 2012, dated December 20, 2012 (the "Series 2012 Bonds") in the original principal amount of $4,440,000, authorized by an Ordinance enacted by the City Council of the City on November 27, 2012 [the Series 2003A Bonds, Series 2009 Bonds, and Series 2012

Bonds, are hereinafter referred to as the "Prior Bonds") and that the Bonds and Prior 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 and Prior 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 and Prior 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 and ordinances authorizing the Prior Bonds 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 2013

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 September 27, 2013, 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 August 14, 2013 (the "Ordinance"), in connection with the authorization, sale and delivery of the City of Glasgow, Kentucky Water and Sewer Revenue Bonds, Series 2013, dated September 27, 2013, in the original principal amount of $6,500,000 (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, 2013, 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