



# The Arbitrage Group, Inc.

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Telephone 713 522 8527  
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[www.thearbitragegroup.com](http://www.thearbitragegroup.com)

October 9, 2019

Mr. Shelton Vance, CPA  
County Administrator  
Madison County  
P.O. Box 608  
Canton, Mississippi 39046

**\$3,300,000**  
**Madison County, Mississippi**  
**General Obligation Note**  
**Series 2018**

Dear Shelton:

Attached please find the final signed arbitrage rebate report for the above referenced note (the "Note"). The report covers the period from February 16, 2018 to October 1, 2019.

Based on the information provided by the County and the assumptions employed, the report reflects that there is no rebate liability for the Note as of the October 1, 2019 Rebate Computation Date. As there is no rebate liability, there is no filing requirement with the IRS. Please retain a copy of this report on file for your records. The next Rebate Computation Date for the Note will be the earlier of October 1, 2020 or the date the Note is discharged in final form.

Also attached please find our invoice for the professional services provided. If you have any questions or comments please do not hesitate to contact me at (713) 522-8526.

Very truly yours,

The Arbitrage Group, Inc.

Joe L. Aviles  
Partner



The Arbitrage Group, Inc.

**\$3,300,000**  
**Madison County, Mississippi**  
**General Obligation Note**  
**Series 2018**

**Rebate Computation for the Period**  
**February 16, 2018 to October 1, 2019**



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October 9, 2019

Madison County  
Canton, Mississippi

**\$3,300,000**  
**Madison County, Mississippi**  
**General Obligation Note**  
**Series 2018**

Madison County, Mississippi (the "County") issued the above referenced note (the "Note") dated and delivered on February 16, 2018. At the request of the County, we have performed the procedures enumerated below for the period February 16, 2018 to October 1, 2019 (the "Computation Period"). These procedures, which were agreed to by the County, were performed solely to assist the County in evaluating compliance with the requirements of Section 148(f)(2) of the Internal Revenue Code of 1986, as amended (the "Code"). This engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants for consulting services. The sufficiency of these procedures is solely the responsibility of the specified users of the report. This report is intended solely for your information and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. This report is not to be quoted or referred to without our prior written consent.

Our procedures and findings are as follows:

- (1) We read the Tax Compliance and No-Arbitrage Certificate ("Tax Certificate"), excerpts from the Specimen Note, and General Ledger Account Detail Schedules provided to us by the County.
- (2) A schedule of the sources and uses of funds (Exhibit A) was assembled based on the Tax Certificate.
- (3) A schedule of the debt service requirements of the Note was assembled based on the Specimen Note.
- (4) The yield on the Note was computed to be the discount rate that causes the present value of all principal and interest payments on the Note to equal the Issue Price to the Public. The yield on the Note was computed to be 2.405584% (Exhibit B).

Madison County, Mississippi  
 October 9, 2019  
 Page 2

- (5) A schedule of actual earnings on the nonpurpose investments in the Project Fund purchased with gross proceeds of the Note during the Computation Period (Exhibit C) was assembled based on the General Ledger Account Detail Schedules.
- (6) The allowable earnings amount on the nonpurpose investments in the Project Fund was calculated to be the amount that the nonpurpose investments in the Construction Fund would have earned if they had been invested at a rate equal to the yield on the Note of 2.405584% (Exhibit C).
- (7) The arbitrage earnings amount during the Computation Period for the Project Fund was calculated to be the difference between the actual earnings and allowable earnings for the nonpurpose investments in the Construction Fund. The arbitrage earnings amount is as follows:

Trust Fund	Exhibit	Arbitrage Earnings
Project Fund	C	(\$107,166.92)
Less Computation Credit Amount	D	(1,757.79)
Total Arbitrage Earnings		(\$108,924.71)

- (8) The assumptions and computational information employed in the above calculations are explained in Exhibit E.
- (9) Based on the information provided by the County and the assumptions employed, this report reflects that there was no rebate liability due for the Note as of the October 1, 2019 Rebate Computation Date.

Because the above procedures do not constitute an audit conducted in accordance with generally accepted auditing standards, we do not express an opinion on any of the information referred to above. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you. The terms of our engagement are such that we have no obligation to update this report because of events and transactions occurring subsequent to the date of this report.

Very truly yours,

*The Arbitrage Group, Inc.*

# Exhibits

- A. Sources and Uses of Funds
- B. Debt Service Requirements and Proof of Yield on the Note
- C. Computation of Arbitrage Earnings on the Project Fund
- D. Computation of Computation Credit Amount
- E. Assumptions and Computational Information

# Sources and Uses of Funds

\$3,300,000

*Madison County, Mississippi*

*General Obligation Note, Series 2018*

## SOURCES

Principal Amount of the Note	\$3,300,000.00
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## USES

Deposit to Project Fund	\$3,300,000.00*
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\* Includes \$58,750.00 of costs of issuance.

# Debt Service Requirements and Proof of Yield on the Note

\$3,300,000

Madison County, Mississippi

General Obligation Note, Series 2018

Date	\$3,300,000 Note @2.410% due February 1, 2023		Debt Service Requirements of the Note	Present Value of Future Payments at 02/16/18 Using a Rate of 2.405584%
	Principal	Interest		
02/01/19	\$660,000.00	\$76,216.25	\$736,216.25	\$719,536.98
08/01/19		31,812.00	31,812.00	30,721.77
02/01/20	660,000.00	31,812.00	691,812.00	660,162.46
08/01/20		23,859.00	23,859.00	22,496.89
02/01/21	660,000.00	23,859.00	683,859.00	637,153.85
08/01/21		15,906.00	15,906.00	14,643.55
02/01/22	660,000.00	15,906.00	675,906.00	614,863.98
08/01/22		7,953.00	7,953.00	7,148.77
02/01/23	660,000.00	7,953.00	667,953.00	593,271.75
	<u>\$3,300,000.00</u>	<u>\$235,276.25</u>	<u>\$3,535,276.25</u>	<u>\$3,300,000.00</u>
			Principal Amount of the Note	<u>\$3,300,000.00</u>

# Computation of Arbitrage Earnings on the Project Fund

\$3,300,000

Madison County, Mississippi

General Obligation Note, Series 2018

Date	Principal Amounts	Actual Earnings		Total Nonpurpose Investment Activity	Future Value of Total Nonpurpose Investment Activity at 10/01/19 Using a Note Yield of 2.405584%
		Interest	Gain (Loss)		
02/16/18	(\$3,300,000.00)	\$0.00	\$0.00	(\$3,300,000.00)	(\$3,430,753.74)
02/21/18	58,750.00	0.00	0.00	58,750.00	61,057.53
07/31/18	(2,994.84)	2,994.84	0.00	0.00	0.00
09/30/18	(1,660.45)	1,660.45	0.00	0.00	0.00
12/03/18	22,539.21	0.00	0.00	22,539.21	22,989.79
12/19/18	13,087.22	0.00	0.00	13,087.22	13,334.67
01/07/19	2,500.00	0.00	0.00	2,500.00	2,544.22
01/23/19	18,219.51	0.00	0.00	18,219.51	18,522.12
01/31/19	(1,315.86)	1,315.86	0.00	0.00	0.00
02/19/19	250,903.50	0.00	0.00	250,903.50	254,630.71
02/20/19	33,677.50	0.00	0.00	33,677.50	34,175.51
03/04/19	14,681.13	0.00	0.00	14,681.13	14,884.38
04/01/19	5,345.22	0.00	0.00	5,345.22	5,409.51
04/16/19	194,739.32	0.00	0.00	194,739.32	196,885.36
04/23/19	100.00	0.00	0.00	100.00	101.05
05/06/19	261,845.00	0.00	0.00	261,845.00	264,379.10
06/18/19	1,063.50	0.00	0.00	1,063.50	1,070.80
07/01/19	41,163.00	0.00	0.00	41,163.00	41,409.81
07/17/19	26,800.00	0.00	0.00	26,800.00	26,932.05
07/22/19	38,407.55	0.00	0.00	38,407.55	38,583.98
08/05/19	51,614.77	0.00	0.00	51,614.77	51,807.11
08/21/19	1,202.75	0.00	0.00	1,202.75	1,205.94
08/23/19	97,288.55	0.00	0.00	97,288.55	97,534.42
09/03/19	(61,487.46)	0.00	0.00	(61,487.46)	(61,601.92)
09/06/19	(20,000.00)	0.00	0.00	(20,000.00)	(20,033.23)
09/12/19	(1,944.87)	1,944.87	0.00	0.00	0.00
09/17/19	94,091.56	0.00	0.00	94,091.56	94,179.09
09/20/19	95,602.73	0.00	0.00	95,602.73	95,672.60
09/23/19	(2,124.53)	2,124.53	0.00	0.00	0.00



# Computation of Arbitrage Earnings on the Project Fund

\$3,300,000

Madison County, Mississippi

General Obligation Note, Series 2018

Date	Principal Amounts	Actual Earnings		Total Nonpurpose Investment Activity	Future Value of Total Nonpurpose Investment Activity at 10/01/19 Using a Note Yield of 2.405584%
		Interest	Gain (Loss)		
09/30/19	93,799.49	0.00	0.00	93,799.49	93,805.72
10/01/19	1,974,106.50	0.00	0.00	1,974,106.50	1,974,106.50
10/01/19	0.00	0.00	0.00	(10,040.55)	(10,040.55)
	\$0.00	\$10,040.55	\$0.00	\$0.00	(\$117,207.47)
		Actual Earnings			\$10,040.55
		Allowable Earnings			(117,207.47)
		Arbitrage Earnings			(\$107,166.92)

# Computation of Computation Credit Amount

\$3,300,000

Madison County, Mississippi

General Obligation Note, Series 2018

Date	Annual Computation Credit	Future Value of Annual Computation Credit Amounts at 10/01/19 Using a Note Yield of 2.405584%
02/01/19	(\$1,730.00)	(\$1,757.79)
	=====	=====
Computation Credit Amount		(\$1,757.79)
		=====

# Assumptions and Computational Information

*\$3,300,000*

*Madison County, Mississippi*

*General Obligation Note, Series 2018*

- (1) It was assumed the Note represented a single issue for arbitrage rebate and yield calculation purposes.
- (2) February 1 of each year was treated as the end of each Note Year for purposes of calculating arbitrage rebate. Consequently, February 1, 2023 (the end of the 5th Note Year) will represent the first and final Rebate Installment Computation Date for the Bonds.
- (3) As represented by the County, the Note has not been refunded.
- (4) Present value and future value computations were made on the basis of a 30/360 day year and semiannual compounding.
- (5) As represented by the County, the only funds which were funded and contained gross proceeds of the Note during the Computation Period were the Project Fund and the Note Fund (the "Trust Funds").
- (6) The General Ledger Account Detail Schedules provided by County were assumed to be complete and accurate. No procedures were performed on these schedules.
- (7) The transaction amounts in the Principal Amounts, Interest, and Gain (Loss) columns shown in Exhibit C for each date represent the net transaction activity for that date. Net investment and interest purchases are denoted by parentheses. The Gain (Loss) columns represent the net gains and losses, if any, on investments purchased and/or sold at discounts and premiums.
- (8) All amounts withdrawn from the Trust Funds were assumed to be spent for the purpose of the note issue on the day they were withdrawn.
- (9) Investments outstanding at the end of the Computation Period were assumed to be sold on that date at the purchase price of the investment plus accrued interest and gain(loss) to that date.
- (10) The Note Fund was excluded from the computation pursuant to Section 148(f)(4)(A)(ii) of the Code which excludes from the rebate computation bona fide debt service funds as defined in Section 1.148-1(b) of the Regulations. Section 2.2 of the Tax Certificate indicates that the Note Fund is intended to function as a bona fide debt service fund. Trust Statements for the Note Fund were not provided for our review.
- (11) Pursuant to Section 1.148-3(d)(1)(iv) of the Regulations, on the last day of each Note Year during which there are amounts allocated to gross proceeds of an issue that are subject to the rebate requirements, and on the final maturity date, a computation credit is allowed as a payment. The payment amount is future valued from the last day of each Note Year to the Computation Date at a rate equal to the yield on the Note (Exhibit D).