



The Arbitrage Group, Inc.

99 Detering Street
Suite 120
Houston, Texas 77007

Telephone 713 522 8527

www.thearbitragegroup.com

December 15, 2022

Ms. Na'Son White
Comptroller
Madison County
P.O. Box 608
Canton, Mississippi 39046

\$5,700,000
Madison County, Mississippi
General Obligation Note, Series 2019B
Interim Rebate Calculation For the Period
December 19, 2019 to December 1, 2022

Dear Ms. White:

Attached please find a copy of our rebate report for the above noted issue along with our agreed-upon invoice. The report indicates there is no rebate liability as of the December 1, 2022 Interim Rebate Computation Date. Based upon the report and underlying assumptions, no IRS payment or filing is otherwise currently required.

The next Rebate Computation Date is December 1, 2023. If there are any actual (or anticipated) changes to the Bonds beforehand, please let us know as it may impact the timing and substance of future analyses. We will be in contact at that time. If you have any questions or comments, please do not hesitate to contact me at (713) 522-8527. It has been our pleasure working with your team and we look forward to being of service again in the very near future regarding any other arbitrage rebate compliance or verification service needs.

Very truly yours,
The Arbitrage Group, Inc.

H. Troy Merrill
Partner



The Arbitrage Group, Inc.

\$5,700,000
Madison County, Mississippi
General Obligation Note, Series 2019B

Rebate Computation for the Period
December 19, 2019 to December 1, 2022



The Arbitrage Group, Inc.

99 Detering Street
Suite 120
Houston, Texas 77007

Telephone 713 522 8527

www.thearbitragegroup.com

December 15, 2022

Madison County
Canton, Mississippi

\$5,700,000 **Madison County, Mississippi** **General Obligation Note, Series 2019B**

Madison County, Mississippi issued the above referenced bonds ("Note") dated and delivered on December 19, 2019. At the request of the Madison County ("Borrower"), we have performed the procedures enumerated below for the period December 19, 2019 December 1, 2022 ("Computation Period"). These procedures, which were agreed to by the Borrower were performed solely to assist the Borrower in evaluating compliance with the requirements of Section 148(f)(2) of the Internal Revenue Code of 1986, as amended ("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 IRS Form 8038-G ("8038-G"), Tax Compliance and No Arbitrage Certificate ("Certificate"), excerpts from the Note ("Note"), and general ledger account detail ("GL statements"), each provided to us by or on behalf of the Borrower.
- (2) A schedule of the sources and uses of funds (Exhibit A) was assembled based upon the 8038-G, Certificate, and GL statements.
- (3) A schedule of the debt service requirements of the Note to maturity (Exhibit B) was assembled based on the 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 1.990155% (Exhibit B).

Madison County
 December 15, 2022
 Page 2

- (5) A schedule of actual earnings on the nonpurpose investments in the Project Fund ("Trust Fund") purchased with gross proceeds of the Note during the Computation Period (Exhibit C) was assembled based on the GL statements.
- (6) The allowable earnings amount on the nonpurpose investments in the Trust Fund was calculated to be the amount that the nonpurpose investments would have earned if they had been invested at a rate equal to the yield on the Note of 1.990155% (Exhibit C).
- (7) The arbitrage earnings amounts during the Computation Period for the Trust Fund was calculated to be the difference between the actual earnings and allowable earnings for the nonpurpose investments in the Trust Fund. The arbitrage earnings amounts for the Computation Period are as follows:

| <u>Trust Fund</u> | <u>Exhibit</u> | <u>Arbitrage Earnings</u> |
|---------------------------------|----------------|----------------------------|
| Project Fund | C | \$3,139.17 |
| Computation Date Credit | D | <u>(5,476.70)</u> |
| Total Negative Rebate Liability | | <u><u>(\$2,377.53)</u></u> |

- (8) The assumptions and computational information employed in the above calculations are explained in Exhibit E.
- (9) Based on the information provided to us by the Borrower and the assumptions employed, this report shows there is no rebate liability for the Note as of the December 1, 2022 Interim Rebate Computation Date. This amount is subject to change due to future investment activity, if any, subsequent to the end of the Computation Period.

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 Date Credit
- E. Assumptions and Computational Information

Sources and Uses of Funds

*Madison County, Mississippi
General Obligation Note, Series 2019B*

| SOURCES | <u>The Note</u> |
|------------------------------|---------------------|
| Principal Amount of the Note | \$5,700,000.00 |
| | <hr/> <hr/> |
| USES | |
| Project Fund | \$5,609,750.00 |
| Costs of Issuance | 90,250.00 |
| | <hr/> <hr/> |
| | \$5,700,000.00 |
| | <hr/> <hr/> |

Debt Service Requirements and Proof of Yield on the Bonds

*Madison County, Mississippi
General Obligation Note, Series 2019B*

| Date | \$5,700,000 Note | | | Debt Service Requirements of the Note | Present Value of Future Payments at 12/19/19 Using a Rate of 1.990155% |
|----------|-----------------------|----------------|------------------------------|--|---|
| | Principal | Coupon Rate | Interest | | |
| 06/01/20 | | | \$51,043.50 | \$51,043.50 | \$50,590.65 |
| 12/01/20 | \$1,140,000.00 | 1.990% | 56,715.00 | 1,196,715.00 | 1,174,411.62 |
| 06/01/21 | | | 45,372.00 | 45,372.00 | 44,087.69 |
| 12/01/21 | 1,140,000.00 | 1.990% | 45,372.00 | 1,185,372.00 | 1,140,469.97 |
| 06/01/22 | | | 34,029.00 | 34,029.00 | 32,417.40 |
| 12/01/22 | 1,140,000.00 | 1.990% | 34,029.00 | 1,174,029.00 | 1,107,407.86 |
| 06/01/23 | | | 22,686.00 | 22,686.00 | 21,187.83 |
| 12/01/23 | 1,140,000.00 | 1.990% | 22,686.00 | 1,162,686.00 | 1,075,203.83 |
| 06/01/24 | | | 11,343.00 | 11,343.00 | 10,386.19 |
| 12/01/24 | 1,140,000.00 | 1.990% | 11,343.00 | 1,151,343.00 | 1,043,836.96 |
| | <u>\$5,700,000.00</u> | | <u>\$334,618.50</u> | <u>\$6,034,618.50</u> | <u>\$5,700,000.00</u> |
| | | | Principal Amount of the Note | | <u>\$5,700,000.00</u> |

Computation of Arbitrage Earnings on the Project Fund

*Madison County, Mississippi
General Obligation Note, Series 2019B*

| Date | Principal Amounts | Actual Earnings | | Total Nonpurpose Investment Activity | Future Value of Total Nonpurpose Investment Activity at 12/01/22 Using a Note Yield of 1.990155% |
|----------|----------------------|-----------------|----------------|---|--|
| | | Interest | Gain (Loss) | | |
| 12/19/19 | (\$5,609,750.00) | \$0.00 | \$0.00 | (\$5,609,750.00) | (\$5,947,229.90) |
| 03/10/20 | (5,232.79) | 5,232.79 | 0.00 | 0.00 | 0.00 |
| 04/21/20 | 246,687.93 | 0.00 | 0.00 | 246,687.93 | 259,779.29 |
| 05/04/20 | 594,889.04 | 0.00 | 0.00 | 594,889.04 | 626,011.09 |
| 05/19/20 | 741,221.46 | 0.00 | 0.00 | 741,221.46 | 779,355.66 |
| 06/01/20 | 944,984.98 | 0.00 | 0.00 | 944,984.98 | 992,946.70 |
| 06/16/20 | 79,298.76 | 0.00 | 0.00 | 79,298.76 | 83,254.76 |
| 06/30/20 | (26,071.86) | 26,071.86 | 0.00 | 0.00 | 0.00 |
| 07/06/20 | 46,467.62 | 0.00 | 0.00 | 46,467.62 | 48,732.12 |
| 07/20/20 | 67,020.86 | 0.00 | 0.00 | 67,020.86 | 70,232.87 |
| 08/03/20 | 130,218.53 | 0.00 | 0.00 | 130,218.53 | 136,361.77 |
| 08/04/20 | 507,478.23 | 0.00 | 0.00 | 507,478.23 | 531,390.00 |
| 08/18/20 | 333,632.00 | 0.00 | 0.00 | 333,632.00 | 349,083.40 |
| 09/08/20 | 524,673.23 | 0.00 | 0.00 | 524,673.23 | 548,368.63 |
| 09/18/20 | (29,377.43) | 29,377.43 | 0.00 | 0.00 | 0.00 |
| 09/22/20 | 88,586.82 | 0.00 | 0.00 | 88,586.82 | 92,516.32 |
| 09/30/20 | 217,542.08 | 14,820.41 | 0.00 | 232,362.49 | 242,562.76 |
| 10/20/20 | 62,637.14 | 0.00 | 0.00 | 62,637.14 | 65,314.89 |
| 11/02/20 | 662,252.52 | 0.00 | 0.00 | 662,252.52 | 690,108.31 |
| 12/07/20 | 80,808.40 | 0.00 | 0.00 | 80,808.40 | 84,045.40 |
| 12/21/20 | 53,451.39 | 0.00 | 0.00 | 53,451.39 | 55,549.73 |
| 01/29/21 | (4,187.22) | 4,187.22 | 0.00 | 0.00 | 0.00 |
| 02/28/21 | (570.02) | 570.02 | 0.00 | 0.00 | 0.00 |
| 04/30/21 | (139.02) | 139.02 | 0.00 | 0.00 | 0.00 |
| 07/30/21 | (116.99) | 116.99 | 0.00 | 0.00 | 0.00 |
| 09/30/21 | (148.81) | 148.81 | 0.00 | 0.00 | 0.00 |
| 02/25/22 | (140.49) | 140.49 | 0.00 | 0.00 | 0.00 |
| 04/22/22 | (132.26) | 132.26 | 0.00 | 0.00 | 0.00 |
| 05/02/22 | 14,409.38 | 0.00 | 0.00 | 14,409.38 | 14,575.99 |
| 07/28/22 | (145.06) | 145.06 | 0.00 | 0.00 | 0.00 |
| 08/01/22 | 41,222.65 | 0.00 | 0.00 | 41,222.65 | 41,495.66 |

Computation of Arbitrage Earnings on the Project Fund

Madison County, Mississippi
General Obligation Note, Series 2019B

| Date | Principal Amounts | Actual Earnings | | Total Nonpurpose Investment Activity | Future Value of Total Nonpurpose Investment Activity at 12/01/22 Using a Note Yield of 1.990155% |
|----------|----------------------|--------------------|----------------|---|--|
| | | Interest | Gain (Loss) | | |
| 09/30/22 | (135.59) | 135.59 | 0.00 | 0.00 | 0.00 |
| 10/18/22 | 8,109.89 | 0.00 | 0.00 | 8,109.89 | 8,129.09 |
| 12/01/22 | 230,554.63 | 0.00 | 0.00 | 230,554.63 | 230,554.63 |
| 12/01/22 | 0.00 | 0.00 | 0.00 | (81,217.95) | (81,217.95) |
| | <u>\$0.00</u> | <u>\$81,217.95</u> | <u>\$0.00</u> | <u>\$0.00</u> | <u>(\$78,078.78)</u> |
| | | Actual Earnings | | | \$81,217.95 |
| | | Allowable Earnings | | | (78,078.78) |
| | | Arbitrage Earnings | | | <u>\$3,139.17</u> |

Computation Date Credit

*Madison County, Mississippi
General Obligation Note, Series 2019B*

| Date | Annual Computation Credit | Future Value of Annual Computation Credit Amounts at 12/01/22 Using a Note Yield of 1.990155% |
|-------------------------|---------------------------------|---|
| 12/01/20 | (\$1,760.00) | (\$1,831.10) |
| 12/01/21 | (1,780.00) | (1,815.60) |
| 12/01/22 | (1,830.00) | (1,830.00) |
| | <hr/> (\$5,370.00) <hr/> | <hr/> (\$5,476.70) <hr/> |
| | <hr/> <hr/> | <hr/> <hr/> |
| Computation Date Credit | | (\$5,476.70) <hr/> <hr/> |

Assumptions and Computational Information

*Madison County, Mississippi
General Obligation Note, Series 2019B*

- (1) Present value and future value computations were made on the basis of a 30/360 day year and semiannual compounding. The Note constitute one issue for rebate and yield restriction purposes as detailed in the Certificate. The Note have also not been refunded or defeased prior to the end of the Computation Period.
- (2) A bond year ending on December 1st has been assumed for rebate computation purposes. Therefore, December 1, 2024 is the expected first IRS Installment Computation Date.
- (3) In calculating the note yield (Exhibit B), we have assumed consistent with the Certificate there are no includable qualified guarantee or hedge amounts.
- (4) It was assumed that the only funds which were funded and contained gross proceeds of the Note were the Project Fund and Note Fund as represented by the Borrower.
- (5) As detailed in the Certificate, the Project Fund was afforded an initial three-year temporary period with respect to yield. Other than the Note Fund (as detailed below), there are no other amounts or accounts pledged with respect to debt service on the Note to otherwise constitute replacement proceeds as detailed in the Certificate.
- (6) The transaction amounts in the Principal Amounts, Interest, and Gain (Loss) column 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.
- (7) It was assumed that the purchase price of each investment was at fair market value, did not include brokerage or other acquisition fees, and represented an arm's length transaction which did not reduce the rebate amount to be paid to the United States.
- (8) All amounts withdrawn from the Trust Funds were assumed to be spent for the purpose of the bond issue on the day they were withdrawn.
- (9) Investments outstanding at the end of the Computation Period were assumed to be sold on December 1, 2022 at the purchase price of the investment plus accrued interest to that date.
- (10) The trust statements may indicate that certain amounts in the Trust Funds were uninvested during the Computation Period. The Income Tax Regulations are silent as to the treatment of imputed earnings for uninvested bond proceeds. No interest earnings were imputed on these uninvested amounts.
- (11) The Note Fund (including any and all related sub-accounts) was excluded from the computation pursuant to Section 148(f)(4)(A)(ii) of the Code which excludes bona fide debt service funds, as defined in Section 1.148-1(b) of the Regulations, from the rebate computation. The Certificate indicates that the Note Fund is intended to function as a bona fide debt service fund. We have assumed that for the entire Computation Period that this fund has in fact operated as a bona fide debt service fund and that yearly earnings were less than the \$100,000 limitation. As such, this fund has been excluded from the rebate or yield restriction analyses.