

October 31, 2016

Members of the Board of Directors  
South Carolina Transportation Infrastructure Bank  
Columbia, South Carolina

We have audited the financial statements of the governmental activities; the major fund, and the aggregate remaining fund information of the South Carolina Transportation Infrastructure Bank (the "Bank") for the year ended June 30, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 14, 2016. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Bank are described in Note 1 to the financial statements. Governmental Accounting Standards Board ("GASB") Statement No. 72, *Fair Value Measurement and Application*, was implemented during 2016. The implementation of these standards required a restatement of the beginning fair value of hedging derivative instruments, but did not have an effect on beginning net position. We noted no transactions entered into by the Bank during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of the fair value of its derivative instruments and the calculation of the on and off market portion of the derivative instrument. We evaluated the key factors and assumptions used to develop the valuation in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

The disclosure in Note 9 to the financial statements describes various intergovernmental agreements which the Bank has entered into. These agreements represent future funding commitments to other noted governmental entities located within South Carolina.

*Difficulties Encountered in Performing the Audit*

The completion of our audit was delayed due to interest income reporting issues within the South Carolina State Treasurer's Office (the "Treasurer's Office"). The Bank relies on the Treasurer's Office for the year end balance of accrued interest receivable and those amounts were not provided to the Bank until October 18, 2016. This caused the completion of the audit to occur after the State required deadline of October 1, 2016.

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The attached schedule summarizes the material misstatements detected as a result of audit procedures and were corrected by management.

*Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have obtained certain representations from management that are included in the management representation letter dated October 31, 2016.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to Management's Discussion and Analysis, budgetary comparison schedule, and pension related schedules, which are required supplementary information (RSI) that supplement the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the Combining Statement of Changes in Assets and Liabilities – Agency Funds, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relates to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements themselves.

Restriction on Use

This information is intended solely for the use of the South Carolina State Auditor's Office and the Board of Directors and management of the South Carolina Transportation Infrastructure Bank and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

*Scott and Company LLC*

Scott and Company LLC

*Schedule of audit adjustments:*

	Debit	(Credit)
Deferred loss on refunding bonds	\$ 12,343,451	
Other financing uses – payments to escrow agent		\$(13,432,578)
Interest expense	1,089,127	
<i>To adjust the deferred loss on refunding bonds to reflect current year activity</i>		

	Debit	(Credit)
Cash		\$ (1,442,593)
Interest Expense	\$ 1,422,593	
<i>To record payments under the 2003B bonds purchase agreement</i>		