

The Board of Trustees
Marion County Hospital District
Ocala, Florida

We have audited the financial statements of the business-type activities and the blended component unit of the Marion County Hospital District (the District) as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. 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 September 24, 2018. Professional standards also require that we communicate to you the following information related to our audit.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2018. We noted no transactions entered into by the District 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

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 estimates affecting the financial statements were:

- *Fair Values*—As reported in Note 2, Fair Values for investments are provided by investment custodians and advisors based upon published rates or valuations derived from similar assets.
- *Estimation of Estimated Third-party Payer Settlements*—As described in Note 1, management's estimate for the third-party payer settlements is based on an analysis of the collectability of individual receivables and settlement of disputed claims.
- *Self-insurance Liabilities*—As described in Note 5, the District self-insures for workers' compensation and medical malpractice claims. The District's self-insurance liability is determined by an actuarial report based on the actual occurrences and industry trends. There are significant underlying assumptions in the actuarial report, which if changed would significantly affect the recorded amount.

Certified Public Accountants

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Qualitative Aspects of Accounting Practices (*Concluded*)

Accounting Estimates (Concluded)

- *Estimate of Employee Benefit Plan Liabilities*—As described in Note 6, management’s estimate of employee benefit plan liabilities is based upon various factors and is developed with the aid of an actuary. Significant assumptions are used in the development of actuarial valuation, including discount rates and long-term rate of return, which can have a significant impact on the results of the valuation.

We evaluated the key factors and assumptions used to develop the estimates described above in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit’s financial statements taken as a whole.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated January 24, 2019.

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 District’s financial statements or a determination of the type of auditors’ 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 District’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

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Other Matters

We applied certain limited procedures to the Management's Discussion and Analysis (Unaudited), Schedule of Changes in Net Pension Liability and Related Ratios, Schedule of Contributions, and Schedule of Pension Investment Returns which are required supplementary information (RSI) that supplements 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.

This information is intended solely for the use of the Board of Trustees and management of the District and is not intended to be, and should not be, used by anyone other than these specified parties.

Durvis, Gray and Company, LLP
January 24, 2019
Ocala, Florida