



December 15, 2023

Board of Trustees
Gateway Unified School District
Redding, CA

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Chico, CA 95973
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We have audited the financial statements of Gateway Unified School District (the District) as of and for the year ended June 30, 2023, and have issued our report thereon dated December 15, 2023. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated April 4, 2022, our responsibility, as described by professional standards, is to form and express opinions about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the District solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you in our planning letter dated July 19, 2023.

Compliance With All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, our firm, and our network firms have complied with all relevant ethical requirements regarding independence.

Safeguards have been implemented to reduce the threats on our independence. These safeguards include continuing education related to independence and ethics requirements; peer review of our firm's quality control system; our firm's internal policies and procedures which are designed to monitor compliance with the independence requirements; and the involvement of another firm partner who is responsible for completing an independent technical review of the financial statements and significant audit conclusions.

Significant Risks Identified

Management override of internal controls was identified as a significant risk. Although a risk not solely specific to the District, override of internal controls warrants attention as intentional override may be more difficult to detect than an unintentional error. To address this risk, we maintained professional skepticism throughout the audit, and incorporated an element of unpredictability in designing our audit procedures. Student body and revolving cash were also identified as significant risks due to cash being inherently susceptible to misappropriation. These areas are given special audit consideration.

Qualitative Aspects of the District's Significant Accounting Practices

Significant Accounting Policies Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the District is included in note 1 to the financial statements. As described in note 1 to the financial statements, the District adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, as of July 1, 2022. This statement defines SBITAs and when SBITAs should be recognized as right-to-use subscription assets, along with a corresponding liability. Accordingly, the District's financial statements have been presented in accordance with the guidance from this statement. No matters have come to our attention that would require us, under professional standards, to inform you about: (1) the methods used to account for significant unusual transactions, and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on 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 markedly from management's current judgments.

The most sensitive estimates affecting the District's financial statements are noted below:

- Management's estimate of the total OPEB liability and related balances for the deferred inflows/outflows of resources which is based on an actuarial determination using various actuarial assumptions, that are described in notes to the financial statements.

- Management's estimate of the net pension liability which is based on the Schedules of Proportionate Share of Contributions for Employers and Nonemployer Contributing Entity received from CalSTRS; the Schedules of Employer Allocations and Collective Pension Amounts received from CalPERS; and the June 30, 2022, Comprehensive Annual Financial Report for both CalPERS and CalSTRS.

We evaluated the key factors and assumptions used to develop the actuarial present value of the total OPEB liability and the net pension liability in determining that they are reasonable in relation to the financial statements taken as a whole.

Financial Statement Disclosures Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the District's financial statements relate to the total OPEB liability recorded under GASB Statement No. 75 and the net pension liability recorded under GASB Statement No. 68.

Significant Unusual Transactions

For the purposes of this communication, professional standards require us to communicate to you significant unusual transactions identified during the audit. We did not identify any significant unusual transactions.

Identified or Suspected Fraud

For the purposes of this communication, professional standards require us to communicate to you any identified or suspected fraud detected during the audit. We did not identify any fraud, although there is always a risk that fraud may exist that has not been identified.

Significant Difficulties Encountered During the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, 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. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances, or disclosures, and the financial statements as a whole and each applicable opinion unit. Uncorrected misstatements or matters underlying those uncorrected misstatements could potentially cause future-period financial statements to be materially misstated, even though the uncorrected misstatements are immaterial to the financial statements currently under audit. Management has corrected all identified misstatements.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. Audit adjustments proposed by us and recorded by the District, are identified in the Reconciliation of Annual Financial and Budget Report with Audited Financial Statements, which appears in the Other Supplementary Information Section of the District's financial statements.

Disagreements With Management

Professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the District's financial statements or the auditors' report. No such disagreements arose during the course of the audit.

Representations Requested From Management

We have requested certain written representations from management that are included in the management representation letter dated December 15, 2023.

Management's Consultations With Other Accountants

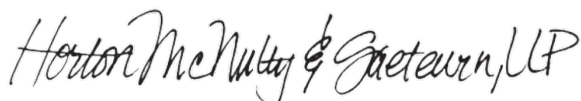
In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the District, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the District, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the District's auditors.

This information is intended solely for the use of the District's 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.

Very truly yours,

A handwritten signature in black ink that reads "Horton McNulty & Gaetavn, LLP". The signature is written in a cursive, flowing style.