

Financial Statements

Social Security Alternative Retirement Plan

June 30, 2025

San Diego Community College District

San Diego Community College District
Social Security Alternative Retirement Plan
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June 30, 2025

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Independent Auditor's Report

To the Board of Trustees
San Diego Community College District
San Diego, California

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of San Diego Community College District Social Security Alternative Retirement Plan (the Plan), which comprise of the statement of plan net position, as of and for the year ended June 30, 2025, and the related statement of changes in plan net position for the year then ended, and the related notes to the financial statements, which collectively comprise the Plan's basic financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of San Diego Community College District Social Security Alternative Retirement Plan, as of June 30, 2025, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Plan and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Plan's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Plan's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 22, 2026, on our consideration of the Plan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Plan's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Plan's internal control over financial reporting and compliance.

Eide Bailly LLP

Ontario, California
January 22, 2026

San Diego Community College District
Social Security Alternative Retirement Plan
Statement of Plan Net Position
June 30, 2025

Assets	
Investments	<u>\$ 25,145,646</u>
Net Position	
Restricted for pension benefits	<u>\$ 25,145,646</u>

San Diego Community College District
Social Security Alternative Retirement Plan
Statement of Changes in Plan Net Position
Year Ended June 30, 2025

Additions	
Contributions	
Employer	\$ 758,364
Employee	<u>758,364</u>
Total contributions	<u>1,516,728</u>
Investment Income	
Interest income	<u>897,191</u>
Total additions	<u>2,413,919</u>
Deductions	
Benefits paid to participants and beneficiaries	<u>779,748</u>
Change in Net Position	1,634,171
Net Position - Beginning	<u>23,511,475</u>
Net Position - Ending	<u><u>\$ 25,145,646</u></u>

Note 1 - Description of Plan

General

The San Diego Community College District Social Security Alternative Retirement Plan (the Plan) is a defined contribution plan covering employees of the San Diego Community College District (the District) who are not eligible for membership in Public Employees Retirement System (PERS) or the State Teachers Retirement System (STRS). Upon employment and any re-employment, employees may become a member of the Plan. The Plan is an alternative plan to Social Security, and unit members do not contribute to Social Security under the Omnibus Budget Reconciliation Act of 1990. The Plan includes both a 401(a) plan, which has 9,741 members and a 457(b) plan, which has 5,647 members, as of June 30, 2025. The authority under which the plan was established and amended was through the Board of Trustees.

Contributions

Contributions to the Plan are shared between the employees and the District. The District contributes 3.75% of eligible wages as defined under Internal Revenue Service regulations, and 3.75% of eligible wages are withheld from the employees' checks for deposit under the Plan.

Participant Accounts

Each participant's account is credited with the participant's contribution, the District's matching contribution, and an allocation of Plan earnings after expenses. The benefit to which a participant is entitled is the benefit that can be provided from the participant's account.

Participant Loans

The Plan does not permit participant loans.

Investment Options

The Plan provides two types of investment options, the Fixed Account Option and Variable Account Option. Participants may choose to direct their investments into one or both options and change their asset allocation by completing a new investment allocation election form. If they prefer not to direct their investment of funds, their contributions will automatically be placed in the fixed interest account.

Vesting

Participants are immediately vested in their account balance.

Payment of Benefits

The Plan does not require mandatory distributions upon termination unless a participant elects to withdraw funds as a single lump sum.

Note 2 - Summary of Significant Accounting Policies

Basis of Accounting

The Plan's financial statements are prepared using the accrual basis of accounting. Employee and employer contributions are recognized as revenues in the period in which the contribution is due. Investment income is recognized as earned. Benefits are recognized when due.

Investment Valuation and Income Recognition

The funds are backed by the general account of National Life Group. The company invests in fixed income securities. The majority of assets of the company consist of corporate bonds, government bonds or government guaranteed securities, and first lien commercial mortgages.

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates, and those differences could be material.

Note 3 - Investments

The Plan provides two types of investment options, the Fixed Account Option and Variable Account Option, which are unallocated fixed annuity contracts that are fully and unconditionally guaranteed by National Life Group. National Life Group Traditional provides a guarantee of principal, a guaranteed minimum rate of interest (2.00%). Contributions to a participant's account purchase a guaranteed amount of lifetime annuity income. When a participant's account is annuitized based on available options, the present value of the stream of payments is equal to the account balance. The subsequent stream of annuity payments occurs outside of the Plan and does not represent an obligation of the Plan. The fully benefit-responsive contract is valued at contract value as reported to the Plan by National Life Group, which represents contributions made under the contract, plus earnings, less participant withdrawals, and administrative expenses. Participants may ordinarily direct their withdrawal or transfer of all or a portion of their investment at contract value. As of June 30, 2025, the investment balance was \$25,145,646.

Custodial Risk

Investment balances are secured by National Life Group and their insurance.

Interest Rate Risk

The guaranteed interest rate is 2.00%, but it can go higher. The interest rate at June 30, 2025 was 3.70% for the investment balance related to the 401(a) Plan, and ranged between 3.25% and 5.00% for the investment balance related to the 457(b) Plan.

Note 4 - Party-in-Interest

The San Diego County Schools Fringe Benefits Consortium is responsible for the plan administration and utilizes National Benefit Services, LLC and Schools First for administrative and recording keeping services and Life Insurance Company of the Southwest for investment services.

Note 5 - Plan Termination

The Plan is administered in accordance with the provisions of the Plan document, which provides for Plan termination. It states that the District expects to continue this Plan indefinitely, but reserves the right to fully or partially terminate at any time without the consent of any participant or beneficiary. If the Plan is fully or partially terminated, the assets remaining in the Plan will be distributed to participants and their beneficiaries as soon as administratively feasible.

Note 6 - Tax Status

The San Diego Community College District completed a review of all aspects of the Social Security Alternative Retirement Plan, including the tax status and in consultation with the AFT Guild 1931 a decision was made to move the Plan administration to the San Diego County Fringe Benefits Consortium. The San Diego County Fringe Benefits Consortium has contracted with National Benefit Services, LLC and Schools First to provide the Plan administration and uses the investment services of Life Insurance Company of the Southwest.

Independent Auditor's Report
Social Security Alternative Retirement Plan
June 30, 2025

San Diego Community College District



**Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed in Accordance with
*Government Auditing Standards***

To the Board of Trustees
San Diego Community College District
San Diego, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), the statement of plan net position of the San Diego Community College District Social Security Alternative Retirement Plan (the Plan), as of and for the year ended June 30, 2025, and the related statement of changes in plan net position for the year then ended, and the related notes to the financial statements, which collectively comprise the Plan's basic financial statements and have issued our report thereon dated January 22, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Plan's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control. Accordingly, we do not express an opinion on the effectiveness of the Plan's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Plan's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Plan's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Plan's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Plan's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Eide Sully LLP".

Ontario, California
January 22, 2026

None reported.

San Diego Community College District
Social Security Alternative Retirement Plan
Summary Schedule of Prior Audit Findings
June 30, 2025

There were no audit findings reported in the prior year's Schedule of Findings and Responses.