

Report on the

**Alabama Trust Fund  
State of Alabama  
Montgomery, Alabama**

**October 1, 2019 through September 30, 2020**

Filed: April 30, 2021



**Department of  
Examiners of Public Accounts**

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*Rachel Laurie Riddle, Chief Examiner*



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*Chief Examiner*

**State of Alabama**  
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Honorable Rachel Laurie Riddle  
Chief Examiner of Public Accounts  
Montgomery, Alabama 36130

Dear Madam:

An examination was conducted on the Alabama Trust Fund, Montgomery, Alabama, for the period October 1, 2019 through September 30, 2020, by Examiners Anna-Kate Padgett and Jennifer Anderson. I, Anna-Kate Padgett, served as Examiner-in-Charge on the engagement, and under the authority of the *Code of Alabama 1975*, Section 41-5A-19, I hereby swear to and submit this report to you on the results of the examination.

Respectfully submitted,

Anna-Kate Padgett  
Examiner of Public Accounts

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Department of  
**Examiners of Public Accounts**

**SUMMARY**

**Alabama Trust Fund  
October 1, 2019 through September 30, 2020**

The Alabama Trust Fund (ATF) was established and operates under the authority of the *Constitution of Alabama 1901, Amendment 450*. The ATF was established as an irrevocable permanent trust fund for the continuing benefit of the State of Alabama and its citizens. Amendments 488, 666, 668, 709, 796, 803, 856 and 887, *Constitution of Alabama 1901* were passed to clarify the types of investments that could be utilized by the ATF, modified the distribution of the funds, authorized bonds, and other items.

The initial trust capital of the ATF consisted of oil and gas capital payments received as the result of sealed bids awarded on August 14, 1984. *Amendment 450* defined “oil and gas capital payments” as follows: “Any payment (including any royalty payment) received after August 1, 1984, by the state or any agency or instrumentality thereof as all or part of the consideration for the sale, leasing or other disposition by the state or any agency or instrumentality thereof of any right to explore and drill for or to produce oil, gas or other hydrocarbon minerals in any area on the water side of the high water mark of Mobile Bay or in any other offshore area and shall include any revenue by the state from federal oil and gas leases off the coast of Alabama. Any royalty or other payment, with the exception of any taxes...levied, that is based upon or determined with respect to, the production of oil, gas or other hydrocarbon minerals and that is paid to the state or any agency or instrumentality thereof regardless of the time of such payment shall be considered an oil and gas capital payment.” *Amendment 450* provided for the ATF to receive 99% of all oil and gas capital payments received after August 14, 1984, and for the Lands Division of the Department of Conservation and Natural Resources to receive 1% of the oil and gas capital payments.

The ATF is under the management and control of a Board of Trustees established by *Amendment 450*, and all powers necessary or appropriate for the management and control of the ATF are vested solely in the Board. These provisions in the law have not changed since *Amendment 450* was ratified. The nine member Board of Trustees consists of the Governor, the State Treasurer, the Director of Finance, three Board members appointed by the Governor, two Board members appointed by the Lieutenant Governor, and one Board member appointed by the Speaker of the House of Representatives. Each Board member may be reimbursed for actual expenses incurred in the performance of his or her duties related to the ATF. The Governor, State Treasurer, and the Director of Finance serve as ex-officio Board members, and the terms of the ex-officio Board members run concurrently with the terms in their respective offices. The term of office for each appointed Board member is six years. The Governor is the chairman and presiding officer of the Board. The Director of Finance is the vice-chairman, and the State Treasurer is the secretary. A majority of the Board members constitutes a quorum for the transaction of business by the Board, and decisions are made on the basis of a majority of the quorum present and voting, with each Board member having a single vote. The Board may appoint such other officers to perform such duties as the Board deems necessary or appropriate.

To the extent practicable, the Board must keep all moneys invested in eligible investments to produce the greatest trust income while preserving the ATF capital. The Board has complete discretion in making decisions as to how and when investments are made. The only restriction on the Board pertaining to the investment of ATF moneys is that investments must be made with the same judgment and care that an institutional investor of the highest standard of prudence, intelligence and financial expertise would exercise under the circumstances prevailing at the time, not for the purpose of speculative profit, but for the generation of optimum income while preserving the safety and permanence of the trust.

To the extent appropriate, the Board utilizes the Office of the State Treasurer in the administration of the ATF, including the keeping of the accounting and investment records, the management of bank accounts, the transfer of funds, and the safekeeping of securities evidencing investments. Also, the Board uses financial custodians to safekeep the ATF investments managed by investment professionals. The custodians maintain these investment records for the ATF.

*Amendment 450*, Section 5(d) to the *Constitution of Alabama 1901*, requires the Board to have an annual audit of the ATF performed in accordance with applicable accounting principles. The ATF is part of the primary government of the State of Alabama, and it is reported in the Comprehensive Annual Financial Report (CAFR) as a major governmental fund. We performed the required audit of the ATF (a major fund) in the audit of the State CAFR and issued an unmodified opinion on the ATF. A copy of the State's CAFR audit can be obtained from our website: [www.examiners.alabama.gov](http://www.examiners.alabama.gov) under the Audit Reports tab. . .

Additionally, we performed tests to determine whether management of the ATF complied with applicable laws and regulations in relation to operations of the ATF.

Tests performed during the examination did not disclose any significant instances of noncompliance with applicable state and local laws and regulations.

**EXIT CONFERENCE**

An exit conference was held on March 24, 2021 via teleconference. Individuals in attendance were Cory Rambo, Accounting Director, and Sara Jenkins, Alabama Trust Fund Accountant, along with Brad Grier and Anna-Kate Padgett from the Department of Examiners of Public Accounts.

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# *Additional Information*

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***Board Members***  
***October 1, 2019 through September 30, 2020***

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<b>Board Members</b>		<b>Term Expires</b>
Hon. Kay Ivey (1)	Chairman	2023
Hon. Kelly Butler (1)	Vice-Chairman	Indefinite
Hon. John McMillan	Ex-Officio	2023
Hon. Stacy Faison	Member	2024
Hon. John Hornsby	Member	2023
Hon. Daniel Hughes, Jr.	Member	2020
Hon. Edgar Pruitt	Member	2022
Hon. Sandra Sims-deGraffenried, Ph.D.	Member	2021
Hon. Guice Slawson, Jr.	Member	2025

(1) Ex-Officio