

Report on the

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

October 1, 2020 through September 30, 2021

Filed: May 6, 2022



**Department of
Examiners of Public Accounts**

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Rachel Laurie Riddle, Chief Examiner



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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, 2020 through September 30, 2021. 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,

Jennifer Anderson

Jennifer Anderson
Examiner of Public Accounts

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Contains items pertaining to state legal compliance, Alabama Trust Fund operations and other matters.		
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Department of
Examiners of Public Accounts

SUMMARY

**Alabama Trust Fund
October 1, 2020 through September 30, 2021**

This report presents the results of an examination of the Alabama Trust Fund (the “ATF”) and a review of the Department’s compliance with applicable laws and regulations of the State of Alabama. This examination was conducted in accordance with the requirements of the Department of Examiners of Public Accounts under the authority of the *Code of Alabama 1975*, Section 41-5A-12. Our examination was performed to determine whether the public officers, agents, and employees of the ATF properly and lawfully accounted for all money and other public assets or resources received, disbursed, or in the custody of the Department. Our examination included determining compliance by the ATF with state laws and regulations that pertain to financial transactions; personnel; safeguarding of state-owned assets, property, and resources; information dissemination, processing, and retention; and official actions, rulemaking procedures, and meetings. As a part of our examination, we also reviewed internal control policies and procedures relating to the areas listed above. Our examination did not encompass managerial and operational matters, such as whether the ATF accomplished its mission or its regulatory, enforcement, investigative, or other oversight activities in an efficient, fair, timely, or legal manner.

The 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* 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.

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 Annual Comprehensive Financial Report (ACFR) as a major governmental fund. We performed the required audit of the ATF (a major fund) in the audit of the State ACFR and issued an unmodified opinion on the ATF. A copy of the State's ACFR audit can be obtained from our website: 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.

The ATF owned no consumable personal property valued at \$500 or more as of September 30, 2021.

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 11, 2022 via teleconference. Individuals in attendance were Young Boozer, State Treasurer; Daria Story, Assistant State Treasurer; Cory Rambo, Accounting Director; and Sara Jenkins, Alabama Trust Fund Accountant, along with Brad Grier and Jennifer Anderson from the Department of Examiners of Public Accounts.

***Schedule of Cash Receipts, Disbursements and Balances
For the Period October 1, 2020 through September 30, 2021***

	2020-2021
<u>Receipts</u>	
General Fund Allotments	\$ 26,548.00
Investment Interest and Dividends	47,807,164.17
Rents and Leases	32,754,638.41
Net Increase (Decrease) in Fair Value of Investments	111,298,179.03
Securities Lending Income	132,817.51
Other Nonoperating Revenues	363.37
Grants	10,000.00
Transfers In	1,099,614.34
Total Receipts	<u>193,129,324.83</u>
<u>Disbursements</u>	
In-State Travel	77,384.03
Repairs and Maintenance	358,233.08
Utilities and Communication	1,493.03
Professional Services	13,015,549.95
Supplies, Materials, and Operating Expenses	74,375.01
Transportation Equipment Operations	191,184.18
Grants and Benefits	21,564.57
Capital Outlay	9,590.04
Transportation Equipment Purchases	51,552.40
Other Equipment Purchases	25,641.72
Securities Lending Management Fees	132,817.51
Transfers Out	195,632,346.86
Prior Period Adjustments	16,641.44
Prior Year General Fund Reversion	922.00
Current Year General Fund Reversion	13,703.66
Total Disbursements	<u>209,622,999.48</u>
Excess (Deficiency) of Receipts Over Disbursements	<u>(16,493,674.65)</u>
Cash Balances at Beginning of Year	7,507,712.06
<u>Balance Sheet Activity Impacting Total Ending Cash</u>	
Net Increase/(Decrease) in Investments	45,354,668.71
Investment Purchases Payable	<u>(27,680,776.53)</u>
Cash Balances at End of Year	<u>\$ 8,687,929.59</u>

Board Members
October 1, 2020 through September 30, 2021

Board Members		Term Expires
Hon. Kay Ivey (1)	Chairman	2023
Hon. Bill Poole (1)	Vice-Chairman	Indefinite
Hon. Kelly Butler (1)	Vice-Chairman	2021
Hon. John McMillan (1)	Secretary	2021 (2)
Hon. Stacy Faison	Member	2024
Hon. John Hornsby	Member	2023
Hon. Daniel Hughes, Jr.	Member	2026
Hon. Edgar Pruitt	Member	2021 (2)
Hon. Sandra Sims-deGraffenried, Ph.D.	Member	2021
Hon. Guice Slawson, Jr.	Member	2025

(1) Ex-Officio

(2) Resigned prior to expiration of term.