

AT&T INC.
Form 11-K
June 19, 2015
SECURITIES AND EXCHANGE
COMMISSION

Washington, D.C. 20549

(Mark One)
FORM 11-K

ANNUAL REPORT PURSUANT TO
SECTION 15(d)
OF THE SECURITIES EXCHANGE ACT
OF 1934

For the fiscal year ended December 31, 2014

OR

TRANSITION REPORT PURSUANT TO
SECTION 15(d)
OF THE SECURITIES EXCHANGE ACT
OF 1934

For the transition period from to

Commission File Number: 1-8610

A. Full title of the plan and the address of the
plan, if different from that of the issuer named
below:

AT&T SAVINGS AND SECURITY PLAN

B. Name of issuer of the securities held
pursuant to the plan and the address of its
principal executive office:

AT&T INC.

208 S. Akard, Dallas, Texas 75202

Financial Statements, Supplemental Schedule and Exhibit

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To Plan Administrator
of the AT&T Savings and Security Plan

We have audited the accompanying statements of net assets available for benefits of the AT&T Savings and Security Plan as of December 31, 2014 and 2013, and the related statement of changes in net assets available for benefits for the year ended December 31, 2014. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Plan's internal control over financial reporting. Our audits included 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 Plan's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the AT&T Savings and Security Plan at December 31, 2014 and 2013, and the changes in its net assets available for benefits for the year ended December 31, 2014, in conformity with U.S. generally accepted accounting principles.

The accompanying supplemental schedule of assets held (at end of year) as of December 31, 2014, has been subjected to audit procedures performed in conjunction with the audit of the AT&T Savings and Security Plan's financial statements. The information in the supplemental schedule is the responsibility of the Plan's management. Our audit procedures included determining whether the information reconciles to the financial statements or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information presented in the supplemental schedule. In forming our opinion on the information, we evaluated whether such information, including its form and content, is presented in conformity with the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Dallas, Texas /s/ Ernst & Young LLP
June 19, 2015

AT&T SAVINGS AND SECURITY PLAN
 STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS
 (Dollars in Thousands)

	December 31,	
	2014	2013
ASSETS		
Cash	\$-	\$3
Investments at fair value (See Notes 3 and 4)	5,254,588	5,677,189
Notes receivable from participants	259,481	285,713
Receivable for investments sold	419	267
Participant contributions receivable	-	2,692
Employer contributions receivable	-	1,512
Dividends and interest receivable	-	1
Total Receivables	259,900	290,185
Total Assets	5,514,488	5,967,377
LIABILITIES		
Administrative expenses payable	295	1,982
Due to broker for securities purchased	174	3,203
Total Liabilities	469	5,185
Net assets reflecting investments at fair value	5,514,019	5,962,192
Adjustment from fair value to contract value for fully benefit-responsive investment contracts	(25,966)	(27,803)
Net Assets Available for Benefits	\$5,488,053	\$5,934,389

See Notes to Financial Statements.

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AT&T SAVINGS AND SECURITY PLAN
 STATEMENT OF CHANGES IN NET ASSETS AVAILABLE
 FOR BENEFITS
 FOR THE YEAR ENDED DECEMBER 31, 2014
 (Dollars in Thousands)

Net Assets Available for Benefits, December 31, 2013 \$5,934,389

Additions to Net Assets:

Contributions:

Participant contributions	179,416
Employer contributions	91,336
Rollover contributions	37,634
	308,386

Investment Income:

Net appreciation in fair value of investments	94,930
Dividends on AT&T common shares	118,549
Interest	18,954
	232,433

Interest income on notes receivable from participants 11,592

Total Additions 552,411

Deductions from Net Assets:

Administrative expenses	4,582
Distributions	660,042

Total Deductions 664,624

Net decrease before transfers (112,213)

Transfer to other qualified savings plan (See Note 1) (334,121)

Transfer to affiliated plans (2)

Net Assets Available for Benefits, December 31, 2014 \$5,488,053

See Notes to Financial Statements.

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Notes to Financial Statements

(Dollars in Thousands)

NOTE 1. PLAN DESCRIPTION

The AT&T Savings and Security Plan (Plan) is a defined contribution plan originally established by SBC Communications Inc. (SBC) to provide a convenient way for eligible employees to save for retirement on a regular and long-term basis. In connection with the November 2005 merger of AT&T Corp., SBC changed its name to AT&T Inc. (AT&T or the Company).

The majority of eligible employees are represented by the Communications Workers of America or the International Brotherhood of Electrical Workers who are employed by participating companies of AT&T. The following description of the Plan provides only general information. The Plan has detailed provisions covering participant eligibility, participant allotments from pay, participant withdrawals, participant loans, employer contributions and related vesting of contributions and Plan expenses. The Plan text and prospectus include complete descriptions of these and other Plan provisions. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended (ERISA).

In November 2014, as a result of the sale of AT&T's incumbent local exchange operations in Connecticut, \$334,121 of participant accounts and balances, including outstanding loans, were transferred from the Plan to a successor plan sponsored by the acquirer.

The Bank of New York Mellon Corporation (BNY Mellon) serves as the trustee for the Plan. Fidelity Investments Institutional Operations Company, Inc. (Fidelity) serves as record keeper for the Plan.

During 2014, participants could invest their contributions in one or more of seven funds in 1% increments:

AT&T Shares Fund	Global Equity Fund
Bond Fund	Mid and Small Cap Stock Fund
Large Cap Stock Fund	International Stock Fund
Interest Income Fund	

Participants contribute to the Plan through payroll allotments. Participants may also contribute amounts representing distributions from other qualified defined benefit and defined contribution plans (rollovers). The Company contributes to the Plan by matching the participants' contributions based on the provisions of the Plan. Company matching contributions are made solely in the form of shares of AT&T's common stock held in an Employee Stock Ownership Plan (ESOP), which is part of the AT&T Shares Fund, within this Plan. Vested matching contributions made to the Plan can be immediately diversified into any of the fund options above. Unvested balances must remain in the AT&T Shares Fund until the participant becomes vested and are thus considered non-participant directed investments. Unvested balances in the Plan were \$156 at December 31, 2014 and \$465 at December 31, 2013. In 2014, the Plan was amended effective January 1, 2015 to allow both vested and unvested funds to be immediately diversified into any of the fund options above.

Dividends on shares in the AT&T Shares Fund can either be reinvested in the AT&T Shares Fund on a quarterly basis, or paid into a short-term interest bearing fund for distribution before the end of the year. Interest earned on dividends held in the short-term interest bearing fund are used to purchase additional units of the AT&T Shares Fund in the participant's account. During 2014, Plan participants elected to receive \$29,437 in dividend distributions. This amount is included in distributions on the Plan's Statement of Changes in Net Assets Available for Benefits.

Each participant is entitled to exercise voting rights attributable to the AT&T shares allocated to their account and is notified by the Company prior to the time that such rights may be exercised. Subject to the fiduciary provisions of ERISA, the trustee will not vote any allocated shares for which instructions have not been given by a participant. The

trustee votes any unallocated shares in the same proportion as it votes those shares that were allocated to the extent the proportionate vote is consistent with the trustee's fiduciary obligations under ERISA. Participants have the same voting rights in the event of a tender or exchange offer.

Although it has not expressed any intent to do so, AT&T has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA and collective bargaining obligations. In the event that the Plan is terminated, subject to the conditions set forth by ERISA, the account balances of all participants shall be 100% vested.

Notes to Financial Statements (Continued)

(Dollars in Thousands)

Administrative Expenses The reasonable expenses of plan administration may be charged to the Plan in accordance with procedures adopted by the plan administrator (as defined by the Plan). Brokerage fees, transfer taxes and other expenses incident to the purchase or sale of securities by the Trustee shall be deemed to be part of the cost of such securities, or deducted in computing the proceeds, as the case may be. Taxes, if any, on any assets held or income received by the Trustee will be charged appropriately against the accounts of Plan participants as determined by the plan administrator. To the extent that expenses incident to the administration of the Plan are paid from the Plan, the plan administrator will determine which expenses are to be charged to and paid from participant's individual accounts, which expenses are to be charged to and paid from the accounts of all participants (and how they are to be allocated among such accounts), and which expenses are to be charged to and paid from the accounts of one or more identified groups of participants (and how they are to be allocated among such accounts). All expenses of administering the Plan that are not charged to the Plan will be borne by the respective participating companies in the Plan as determined by the plan administrator.

NOTE 2. ACCOUNTING POLICIES

The accompanying financial statements were prepared in conformity with U.S. generally accepted accounting principles (GAAP), which require management to make estimates that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. Distributions are recorded when paid.

Investment Valuation and Income Recognition Investments are stated at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 3 for discussion of fair value measurements. Investments in securities traded on a national securities exchange are valued at the last reported sales price on the last business day of the year. If no sale was reported on that date, they are valued at the last reported bid price. Shares of registered investment companies are valued based on quoted market prices, which represent the net asset value of shares held at year-end. Over-the-counter securities (OTC) and government obligations are valued at the bid price or the average of the bid and asked price on the last business day of the year from published sources where available and, if not available, from other sources considered reliable. Common/collective trust funds are valued at quoted redemption values that represent the net asset values of units held at year-end.

Investment contracts held by a defined contribution plan are required to be reported at fair value. However, contract value is the relevant measurement attribute for that portion of the net assets available for benefits of a defined contribution plan attributable to fully benefit-responsive investment contracts because contract value is the amount participants would receive if they were to initiate permitted transactions under the terms of the Plan. The Plan invests in fully benefit-responsive synthetic investment contracts (Synthetic GICs). The underlying investments of the Synthetic GICs are comprised of corporate bonds and notes, registered investment companies and government securities and are also valued as described above. The fair value of the wrap contracts for the Synthetic GICs is determined using a market approach discounting methodology that incorporates the difference between current market level rates for contract level wrap fees and the wrap fee being charged. The difference is calculated as a dollar value and discounted by the prevailing interpolated swap rate as of period end. The contract value of the fully benefit-responsive investment contracts represents contributions plus earnings, less participant withdrawals and administrative expenses.

Purchases and sales of securities are reflected as of the trade date. Dividend income is recognized on the ex-dividend date. Interest earned on investments is recognized on the accrual basis.

Notes Receivable from Participants Notes receivable from participants represent participant loans that are recorded at their unpaid principal balance plus any accrued, but unpaid interest. Interest income on notes receivable from

participants is recorded when it is earned. Related fees are recorded as administrative expenses and are expensed when they are incurred. No allowance for credit losses has been recorded as of December 31, 2014 or 2013. If a participant ceases to make loan repayments and the plan administrator deems the participant loan to be a distribution, the participant loan balance is reduced and a distribution is recorded.

Recent Accounting Standards

In May 2015, the Financial Accounting Standards Board issued Accounting Standards Update No. 2015-07, "Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)" (ASU 2015-07). ASU 2015-07 removes the requirement to categorize investments for which fair value is measured using the net asset value per share practical expedient within the fair value hierarchy. These disclosures are limited to investments for which the entity has elected to measure the fair value using that practical expedient. The accounting and disclosure changes are effective for annual periods beginning after December 15, 2015. Management is currently evaluating this updated guidance.

Notes to Financial Statements (Continued)

(Dollars in Thousands)

NOTE 3. FAIR VALUE MEASUREMENTS

Accounting Standards Codification 820, Fair Value Measurement, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

Level 2 Inputs to the valuation methodology include:

Quoted prices for similar assets and liabilities in active markets;

Quoted prices for identical or similar assets or liabilities in inactive markets;

Inputs other than quoted market prices that are observable for the asset or liability;

Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The valuation methodologies described in Note 2 may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while Plan management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There have been no changes in the methodologies used at December 31, 2014 and 2013.

Notes to Financial Statements (Continued)
(Dollars in Thousands)

The following table sets forth by level, within the fair value hierarchy, the Plan's assets at fair value as of December 31, 2014:

	Plan Assets at Fair Value as of December 31, 2014			
	Level 1	Level 2	Level 3	Total
U.S. equity securities:				
AT&T common stock	\$2,008,865	\$-	\$ -	\$2,008,865
Money market/mutual funds	16,511	-	-	16,511
Large cap stock fund ¹	-	950,744	-	950,744
Global equity fund ²	-	200,080	-	200,080
Mid and small cap fund ³	-	579,146	-	579,146
International equity securities:				
Global equity fund ²	-	64,227	-	64,227
International stock fund ⁴	-	264,906	-	264,906
Fixed income securities:				
Bond fund ⁵	-	335,920	-	335,920
Interest income fund:				
Money market/mutual funds	14,406	-	-	14,406
Synthetic GICs:				
Money market/mutual funds	6,267	-	-	6,267
U.S. government debt securities	6,299	439,889	-	446,188
Corporate debt securities:				
Asset-backed securities	-	86,487	-	86,487
Commercial mortgage-backed securities	-	64,955	-	64,955
Collateralized mortgage obligations	-	1,925	-	1,925
Other corporate debt securities	-	205,041	-	205,041
Wrapper contract	-	164	-	164
Short-term investments	8,756	-	-	8,756
Total assets at fair value	\$2,061,104	\$3,193,484	\$ -	\$5,254,588

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Notes to Financial Statements (Continued)
(Dollars in Thousands)

The following table sets forth by level, within the fair value hierarchy, the Plan's assets at fair value as of December 31, 2013:

	Plan Assets at Fair Value as of December 31, 2013			
	Level 1	Level 2	Level 3	Total
U.S. equity securities:				
AT&T common stock	\$2,325,271	\$-	\$ -	\$2,325,271
Money market/mutual funds	22,062	-	-	22,062
Large cap stock fund ¹	-	913,999	-	913,999
Global equity fund ²	-	201,394	-	201,394
Mid and small cap fund ³	-	589,472	-	589,472
International equity securities:				
Global equity fund ²	-	56,638	-	56,638
International stock fund ⁴	-	301,966	-	301,966
Fixed income securities:				
Bond fund ⁵	-	338,976	-	338,976
Interest income fund:				
Money market/mutual funds	50,450	-	-	50,450
Synthetic GICs:				
Money market/mutual funds	4,033	-	-	4,033
U.S. government debt securities	-	599,480	-	599,480
Corporate debt securities:				
Asset-backed securities	-	104,749	-	104,749
Commercial mortgage-backed securities	-	85,787	-	85,787
Collateralized mortgage obligations	-	2,441	-	2,441
Other corporate debt securities	-	77,408	-	77,408
Wrapper contract	-	182	-	182
Short-term investments	2,881	-	-	2,881
Total assets at fair value	\$2,404,697	\$3,272,492	\$ -	\$5,677,189

Notes to Financial Statements (Continued)
(Dollars in Thousands)

¹This category includes a common/collective trust fund with an objective of providing investment results that approximate the overall performance of the common stocks included in the S&P 500 Index. There are currently no redemption restrictions on this investment. The fair value of the investment in this category has been estimated using the net asset value per share.

²This fund consists of two common/collective trust funds with an objective of providing investment returns that approximate an asset allocation of 75% to the Dow Jones Wilshire 5000 Index and 25% to the Morgan Stanley Country Index – Europe, Australasia, Far East (MSCI EAFE) Index. There are currently no redemption restrictions on these investments. The fair value of the investments in this category has been estimated using the net asset value per share.

³This category includes a common/collective trust fund with an objective of providing investment results that approximate the overall performance of the common stocks included in the Dow Jones Wilshire 4500 Index. There are currently no redemption restrictions on this investment. The fair value of the investment in this category has been estimated using the net asset value per share.

⁴This category includes a common/collective trust fund with an objective of providing investment results that approximate the overall performance of the common stocks included in the MSCI EAFE Index. There are currently no redemption restrictions on this investment. The fair value of the investment in this category has been estimated using the net asset value per share.

⁵This category includes a common/collective trust fund with an objective of providing investment results that approximate the overall performance of the fixed income securities included in the Barclays U.S. Government/Credit Bond Index. There are currently no redemption restrictions on this investment. The fair value of the investment in this category has been estimated using the net asset value per share.

Notes to Financial Statements (Continued)

(Dollars in Thousands)

NOTE 4. INVESTMENTS

Investments representing 5% or more of Plan net assets at December 31 were:

	2014	2013
<u>AT&T Shares Fund</u>		
AT&T common shares	\$2,008,865	\$2,325,271
<u>Large Cap Stock Fund</u>		
BlackRock Equity Index Fund F	950,744	913,999
<u>Bond Fund</u>		
BlackRock Government/Credit Bond Index Fund F	335,920	338,976
<u>Mid and Small Cap Stock Fund</u>		
BlackRock Extended Equity Market Fund F	579,146	589,472
<u>International Stock Fund</u>		
BlackRock EAFE Equity Index Fund F	*	301,966

* Investment balance did not equal or exceed 5% at year-end

During 2014, the Plan's investments (including gains and losses on investments bought and sold, as well as held during the year) appreciated (depreciated) in fair value as follows:

AT&T common stock	\$(95,992)
Common/collective trust funds	190,922
Total	\$94,930

Fully Benefit-Responsive Investment Contracts

The Interest Income Fund consists of fully benefit-responsive investment contracts with various financial institutions and insurance companies that promise to repay principal plus accrued income at contract maturity, subject to the creditworthiness of the issuer. Interest crediting rates are generally established when the contract is purchased and are periodically reset. The Interest Income Fund invests in Synthetic GICs, also referred to as wrapper contracts. The assets supporting the Synthetic GICs are owned by the Plan and generally consist of high quality fixed income securities. At December 31, 2014, the underlying assets had a fair value of \$825,433 and a contract value of \$799,467. At December 31, 2013, the underlying assets had a fair value of \$924,530 and a contract value of \$896,727. For the years ended December 31, 2014 and 2013, the average yield earned by the Plan on these contracts was 1.48% and 1.24%, and the average yield earned by the Plan, adjusted to reflect actual interest rate credited to participants, was 2.29% and 2.11%. No valuation reserves were recorded to adjust contract amounts as of December 31, 2014 or 2013.

A bank or insurance company issues a wrapper contract that provides preservation of principal, maintains a stable interest rate and provides daily liquidity at contract value for participant directed transactions, in accordance with the provisions of the Plan. Wrapper contracts amortize the realized and unrealized gains and losses on the underlying fixed income investments through adjustments to the future interest crediting rate. The issuer of the wrapper contract provides assurance that the adjustments to the interest crediting rate do not result in a future interest crediting rate that is less than zero, which would result in a loss of principal or accrued interest. The fair value of the wrapper contracts were \$164 at December 31, 2014 and \$182 at December 31, 2013.

Wrapper contracts' interest crediting rates are typically reset on a monthly or quarterly basis and are based on the characteristics of the underlying fixed income securities. Other key factors that influence the interest crediting rates are market interest rates, the amount and timing of participant transactions into and out of the wrapper contract, investment returns on the underlying fixed income securities and the duration of those investments. All wrapper contracts provide for a minimum interest crediting rate of zero percent. In the event that the interest crediting rate should fall to zero and the requirements of the wrapper contract are satisfied, the wrapper issuer will pay the Plan the shortfall needed to maintain the rate at zero, ensuring participants' principal and accrued interest are protected.

Notes to Financial Statements (Continued)

(Dollars in Thousands)

Changes in market interest rates can affect the yield to maturity and