

AT&T INC.
Form 11-K
June 22, 2012

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, 2011

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:

BELLSOUTH 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 the Plan Administrator of the
BellSouth Savings and Security Plan

We have audited the accompanying statements of net assets available for benefits of the BellSouth Savings and Security Plan as of December 31, 2011 and 2010, and the related statement of changes in net assets available for benefits for the year ended December 31, 2011. 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 Plan at December 31, 2011 and 2010, and the changes in its net assets available for benefits for the year ended December 31, 2011, in conformity with U.S. generally accepted accounting principles.

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplemental schedule of assets (held at end of year) as of December 31, 2011, is presented for purposes of additional analysis and is not a required part of the financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. Such information is the responsibility of the Plan's management. The information has been subjected to the auditing procedures applied in our audits of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Dallas, Texas
June 22, 2012

/s/ Ernst & Young LLP

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

	December 31,	
	2011	2010
ASSETS		
Investment in AT&T Savings Group Investment Trust	\$823,662	\$804,574
Investments, at fair value	1,376,875	1,488,384
Total Investments, at fair value (See Note 4)	2,200,537	2,292,958
Notes receivable from participants	56,007	52,029
Participant contributions receivable	569	786
Employer contributions receivable	294	247
Interest receivable	698	882
Total Receivables	57,568	53,944
Total Assets	2,258,105	2,346,902
LIABILITIES		
Administrative expenses payable	1,216	1,112
Due to broker for securities purchased	15,996	12,558
Total Liabilities	17,212	13,670
Net assets reflecting investments at fair value	2,240,893	2,333,232
Adjustment from fair value to contract value for fully benefit- responsive investment contracts	(43,159)	(35,869)
Net Assets Available for Benefits	\$2,197,734	\$2,297,363

See Notes to Financial Statements.

BELLSOUTH SAVINGS AND SECURITY PLAN
 STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
 FOR THE YEAR ENDED DECEMBER 31, 2011
 (Dollars in Thousands)

Net Assets Available for Benefits, December 31, 2010	\$2,297,363
Additions to Net Assets:	
Contributions:	
Participant contributions	75,202
Employer contributions	33,686
Rollover contributions	15,650
	124,538
Investment Income (Loss):	
Net income from investment in AT&T Savings Group Investment Trust	24,554
Interest	3,628
Dividends	47,216
Net depreciation in fair value of investments	(25,700)
	49,698
Interest income on notes receivable from participants	2,384
Total Additions	176,620
Deductions from Net Assets:	
Distributions	271,813
Administrative expenses	1,617
Total Deductions	273,430
Net decrease before transfers	(96,810)
Transfers to affiliated plan (Note 1)	(2,819)
Net Assets Available for Benefits, December 31, 2011	\$2,197,734

See Notes to Financial Statements.

Notes to Financial Statements
(Dollars in Thousands)

NOTE 1. PLAN DESCRIPTION

The BellSouth Savings and Security Plan (Plan) is a defined contribution plan originally established by BellSouth Corporation (BellSouth) to provide a convenient way for eligible nonmanagement employees of participating BellSouth companies to save on a regular and long-term basis. In December 2006, BellSouth was acquired by AT&T Inc. (AT&T or the Company). 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).

The Plan participates in the AT&T Savings Group Investment Trust (Group Trust) with respect to the AT&T Stable Value Fund option only. The Bank of New York Mellon Corporation (BNY Mellon) serves as trustee for both the Group Trust and the trust holding the Plan's assets. Fidelity Investments Institutional Operations Company, Inc. (Fidelity) serves as recordkeeper for the Plan. During 2011, participants could invest their contributions in one or more of 12 funds in 1% increments:

- AT&T Stock Fund
- Bond Fund
- Vanguard Growth Index Fund
- Fidelity Growth and Income Portfolio
- Balanced Fund
- LifePath Funds (based on retirement date)
- DFA U.S. Small Cap Value Portfolio
- DFA International Value Portfolio II
- U.S. Large Cap Value Portfolio II
- T. Rowe Price Mid-Cap Growth Fund
- AT&T Stable Value Fund (also known as the Interest Income Fund)*
- Large Cap U.S. Stock Index Fund

* Investment fund option of the Group Trust

In 2011, the Plan was amended to make certain participants eligible to participate in the AT&T Retirement Savings Plan. As a result, participant account balances of approximately \$2,819 were transferred out of the Plan during 2011.

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. All contributions are participant directed.

Dividends on shares in the AT&T Stock Fund can either be reinvested in the AT&T Stock Fund on a quarterly basis, or paid into a separate fund known as a Dividend Fund Account (DFA) for distribution at the end of the year. Interest earned on dividends held in the DFA purchases additional units of the AT&T Stock Fund in the participant's account. During 2011, Plan participants elected to receive \$1,669 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 collectively bargained agreements. 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 Each participant in the Plan may be charged for investment manager fees and administrative expenses, including, trustee and other expenses considered reasonable by the Plan administrator. Investment manager fees are charged through the applicable investment option. Administrative fees are divided on a pro rata basis among investment options of the participant. An additional fee is charged to individual participants for various services provided by the Plan's recordkeeper and other service providers. Certain expenses are paid by the Plan, Group Trust, or Company.

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. Depending on the types and contractual terms of OTC derivatives, fair value is measured using valuation techniques such as Black-Scholes option price models, simulation models, or a combination of various models.

Common/collective trust funds and 103-12 investment entities (i.e. an investment entity that holds the assets of two or more plans which are not members of a related group or employee benefit plan) are valued at quoted redemption values that represent the net asset values of units held at year-end. Publicly traded partnerships are valued using trades on a national securities exchange based on the last reported sales price on the last business day of the year.

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 Group Trust invests in fully benefit-responsive guaranteed investment contracts (GICs) and synthetic investment contracts (Synthetic GICs). GICs are valued at fair value by discounting the associated cash flows of the investment based on current yields of similar instruments with comparable durations considering the credit-worthiness of the issuer. The underlying investments of the Synthetic GICs are owned by the Group Trust and 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, 2011 or 2010. 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.

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

Recent Accounting Standards

Improving Disclosures about Fair Value Measurements In January 2010, the FASB issued Accounting Standards Update 2010-06, Improving Disclosures about Fair Value Measurements, (ASU 2010-06). ASU 2010-06 amended Accounting Standards Codification Topic 820, Fair Value Measurements, (ASC 820) to clarify certain existing fair value disclosures and require a number of additional disclosures. The requirement to present changes in Level 3 measurements on a gross basis is effective for reporting periods beginning after December 15, 2010. Since ASU 2010-06 only affects fair value measurement disclosures, adoption of ASU 2010-06 did not have an effect on the Plan's net assets available for benefits or its changes in net assets available for benefits.

Amendments to Achieve Common Fair Value Measurements and Disclosure Requirements in U.S. GAAP and IFRS In May 2011, the FASB issued Accounting Standards Update 2011-04, Amendments to Achieve Common Fair Value Measurements and Disclosure Requirements in U.S. GAAP and IFRSs, (ASU 2011-04). ASU 2011-04 amended ASC 820, Fair Value Measurements, to converge the fair value measurement guidance in US generally accepted accounting principles (GAAP) and International Financial Reporting Standards (IFRSs). Some of the amendments clarify the application of existing fair value measurement requirements, while other amendments change a particular principle in ASC 820. In addition, ASU 2011-04 requires additional fair value disclosures, although certain of these new disclosures will not be required for nonpublic entities. The amendments are to be applied prospectively and are effective for annual periods beginning after December 15, 2011. Plan management is currently evaluating the effect that the provisions of ASU 2011-04 will have on the Plan's financial statements.

NOTE 3. FAIR VALUE MEASUREMENTS

ASC 820 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, 2011 and 2010.

See Note 4 for fair value hierarchy for the Group Trust's and Plan's investments.

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

NOTE 4. INVESTMENTS

The Plan held investments in its own trust and in the Group Trust (through participation in the AT&T Stable Value Fund option only) as of December 31, 2011 and 2010, and for the year ended December 31, 2011.

Plan Investments

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

	2011	2010
AT&T Stock Fund (AT&T common shares)	\$ 508,182	\$ 523,390
T. Rowe Price Mid-Cap Growth Fund	173,766	197,929
DFA U.S. Small Cap Value II Fund	115,763	142,612

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 for the year ended December 31, 2011:

Common stock	\$ 15,381
Registered investment companies	(47,368)
Common/collective trust funds	3,985
Fixed income securities	2,302
Total	\$ (25,700)

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, 2011:

	Plan Assets at Fair Value as of December 31, 2011			
	Level 1	Level 2	Level 3	Total
Interest bearing cash	\$2,751	\$-	\$-	\$2,751
Short term investments	4,052	-	-	4,052
Blended equity & debt ¹	-	49,534	-	49,534
US equity securities				
AT&T common stock	508,182	-	-	508,182
Index stock fund ²	-	99,817	-	99,817
Futures	29	-	-	29
Mutual funds – large cap	215,150	-	-	215,150
Mutual funds – mid cap	243,916	-	-	243,916
Mutual funds – small cap	115,763	-	-	115,763
Fixed income securities:				
Bond index fund ³	-	13,378	-	13,378
Short term investments	1,943	(342)	-	1,601
Futures	(31)	-	-	(31)
Corporate debt instruments				
Asset backed securities	-	1,644	-	1,644
Commercial mortgage backed securities	-	1,699	-	1,699
Collateralized mortgage obligations	-	7,788	-	7,788
Other corporate debt instruments	-	37,560	-	37,560
U.S. government securities				
Asset backed securities	-	9,502	-	9,502
Other U.S. government securities	-	64,540	-	64,540
Total assets at fair value	\$1,091,755	\$285,120	\$-	\$1,376,875

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, 2010:

	Plan Assets at Fair Value as of December 31, 2010			
	Level 1	Level 2	Level 3	Total
Interest bearing cash	\$5,210	\$-	\$-	\$5,210
Short term investments	7,261	-	-	7,261
Blended equity & debt ¹	-	45,369	-	45,369
US equity securities				
AT&T common stock	523,390	-	-	523,390
Index stock fund ²	-	104,242	-	104,242
Futures	122	-	-	122
Mutual funds – large cap	259,314	-	-	259,314
Mutual funds – mid cap	269,957	-	-	269,957
Mutual funds – small cap	142,612	-	-	142,612
Fixed income securities:				
Bond index fund ³	-	13,258	-	13,258
Short term investments	1,708	30	-	1,738
Futures	-	76	-	76
Corporate debt instruments				
Asset backed securities	-	2,321	-	2,321
Commercial mortgage backed securities	-	1,667	-	1,667
Collateralized mortgage obligations	-	8,238	-	8,238
Other corporate debt instruments	-	24,201	-	24,201
U.S. government securities				
Asset backed securities	-	10,546	-	10,546
Other U.S. government securities	-	54,517	-	54,517
Other investments	-	14,345	-	14,345
Total assets at fair value	\$1,209,574	\$278,810	\$-	\$1,488,384

¹ This category includes common/collective trust funds also known as LifePath Portfolios which are well diversified portfolios that adjust the mix of the various underlying investments over time. The change in allocation of investments is designed to move from a more aggressive investment strategy to a more conservative strategy as the participants come closer to retirement. The year associated with the fund identification denotes the projected year of retirement of the participant selecting the fund. There are currently no redemption restrictions on these investments. The fair value of the investments in this category have been estimated using the net asset value per share.

² This 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 Standard and Poor's Composite Stock Price Index of 500 stocks (the "S&P 500®"). 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.

³ This category includes a common/collective trust fund with an objective to approximate the overall performance of the Barclays Capital Aggregate Bond Index. There are currently no redemption restrictions on these investments.

The fair value of the investments in this category have been estimated using the net asset value per share.

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

AT&T Savings Group Investment Trust Investments

AT&T established the Group Trust to manage assets of pooled investment options among various AT&T sponsored employee benefit trusts. Each participating trust's interest in the investment fund options (i.e., separate accounts) of the Group Trust is based on account balances of the participants and their elected investment fund options. The Group Trust assets are allocated among the participating plans by assigning to each trust those transactions (primarily contributions, distributions, and expenses) that can be specifically identified and by allocating investment income and administrative expenses to the individual plans on a daily basis based on each participant's account balance within each investment fund option.

The participating entities and ownership percentages of the Group Trust are listed below:

	December 31,			
	2011		2010	
AT&T Savings Plan Master Trust (AT&T Master Trust)	86.7	%	86.6	%
AT&T Savings Master Trust (Master Trust)	6.1	%	6.3	%
BellSouth Savings and Security Plan	7.2	%	7.1	%
Total	100.0	%	100.0	%

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

The Plan's percentage interest in each of the investment fund options within the Group Trust is disclosed below as of December 31, 2011.

	AT&T Total Return Bond Fund	AT&T U.S. Stock Fund	AT&T International Stock Fund	AT&T Stable Value Fund	Group Trust
Interest bearing cash	\$ -	\$ -	\$ 2,824	\$ -	\$ 2,824
Common/collective trust funds	-	420,247	166,567	-	586,814
103-12 investment entities	-	-	102,904	-	102,904
Equities - common stock	-	1,535,614	151,924	-	1,687,538
Equities - preferred stock	-	-	2,179	-	2,179
Publicly traded partnerships	-	4,378	-	-	4,378
Registered investment companies	1,405,006	43,068	1,956	547	1,450,577
Investment contracts (at fair value):					
Guaranteed investment contracts	-	-	-	6,222	6,222
Synthetic GICs:					
Interest bearing cash	-	-	-	58	58
Corporate and other bonds and notes	-	-	-	2,641,392	2,641,392
Registered investment companies	-	-	-	819,425	819,425
Futures	-	-	-	(383)	(383)
Government securities	-	-	-	4,019,599	4,019,599
Wrapper contracts	-	-	-	2,252	2,252
Group Trust investments at fair value	1,405,006	2,003,307	428,354	7,489,112	11,325,779
Unsettled trades and other	3,942	(2,022)	793	(175,832)	(173,119)
Adjustment from fair value to contract value for fully benefit-responsive investment contracts	-	-	-	(383,199)	(383,199)
Group Trust net assets	\$ 1,408,948	\$ 2,001,285	\$ 429,147	\$ 6,930,081	\$ 10,769,461
Plan's percentage ownership interest of investments	-	-	-	11.3%	7.2%

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

The Plan's percentage interest in each of the investment fund options within the Group Trust is disclosed below as of December 31, 2010.

	AT&T Total Return Bond Fund	AT&T U.S. Stock Fund	AT&T International Stock Fund	AT&T Stable Value Fund	Group Trust
Interest bearing cash	\$ -	\$ -	\$ 3,669	\$ -	\$ 3,669
Common/collective trust funds	-	815,433	218,702	-	1,034,135
103-12 investment entities	-	-	47,732	-	47,732
Equities - common stock	-	1,378,536	271,343	-	1,649,879
Equities - preferred stock	-	-	4,237	-	4,237
Equities - loaned	-	(69)	-	-	(69)
Publicly traded partnerships	-	3,676	-	-	3,676
Registered investment companies	1,326,799	36,762	2,120	545	1,366,226
Investment contracts (at fair value):					
Guaranteed investment contracts	-	-	-	27,223	27,223
Synthetic GICs:					
Interest bearing cash	-	-	-	36,594	36,594
Corporate preferred stock	-	-	-	3,311	3,311
Corporate and other bonds and notes	-	-	-	3,264,699	3,264,699
Registered investment companies	-	-	-	614,215	614,215
Futures	-	-	-	81	81
Government securities	-	-	-	3,468,987	3,468,987
Wrapper contracts	-	-	-	15,609	