Walter J. Burien, Jr. – CAFR1.com
P. O. Box 2112
Saint Johns, AZ 85936

Tel. (928) 458-5854

November 27, 2012

The following communication dated May 11, 1999 copied below is from Gerald R. Klatt, a retired federal auditor of 30-years.

While I was still living in Prescott, AZ, Gerald sent me this communication after we had a long conversation in which I briefed him on the collective investment totals and true gross income shown in the corresponding CAFRs of local governments.

Gerald was from Tucson, Arizona so his first look at a CAFR surplus review was in his own back yard of the city of Tucson, AZ and the county of Pima, AZ.

In subsequent conversations I continuously prompted Gerald as a very qualified Federal auditor to get a website up to show CAFR surplus reviews. A few months latter, he launched http://CAFRMan.com to show CAFR surplus reviews and guidelines of instructions to teach others to do the same reviews. CAFRMan.com is still present.

There have been hundreds of thousands of elected and appointed government bureaucrats in office each year for decades. Billions and billions of dollars were and continue to be paid to these individuals. The CAFR "is" government's accounting document in place since 1946. The document the public should have been going over with a fine toothcomb.

Gerald was the "first" government employee to break the "silence is golden" rule. Bringing forward open and conspicuous mention and audited review of local government CAFRs.

What Gerald did was exemplary and meritorious for the benefit of the population considering the probability for retaliation from the local government syndicate's intentional and well maintained non-disclosure firmly in place for decades due to the massive money involved.

Gerald asked me to keep his name confidential as noted on page-4 of his cover letter and **I quote:** "Governments are unforgiving. I do not need a special individual tax assessment."

Gerald died July 11th 2004. I found this out when I got a call in 2006 from Gerald's son from his first marriage. Gerald's son called me when he could not find his father. I checked Gerald's house in Tucson and it was sold in 2004. His telephone number disconnected. I then checked the SS death records and discovered he died on 07/11/2004, his birthday. I then called his son to let him know his father died 07/11/04. The cause and circumstances of Gerald's death to this date I have not yet discovered.

A very important point in reality per what Gerald did in bringing forward CAFR reviews was the fact that all prior and currently active government representatives: Governors, Senators, Congress, City Councils, County Board of Commissioners, State treasurers, School Commissioners, not one that I am aware of brought forward for public consumption a CAFR review. Over the decades, all government representatives cooperated and are still cooperating with the "**silence is golden**" rule and in "fact" they never have made simple and conspicuous public mention of the CAFR. Gerald was "**the FIRST**" to do so. True force in breaking the syndicate's non-disclosure, is needed here.

Please let the fact of Gerald's effort and the cooperative silence of all others within government; syndicated media; and political arenas sink into your minds and cognitive thinking to genuinely realize the "scope" and "size" of the massive corruption involved whereby this organized silence has been and continues to be the standard across the land.

Over a hundred trillion dollars is involved. Invested collectively and held globally by local and federal government. It is over a decade since Gerald and I started with public disclosure of the collective wealth involved within government. The end results to date is government on all levels has turned up the speed in which they are financially raping the population in all respects as they "**increase**" their annual take with great speed.

In plain and simple language: Over the decades they were sneaking cookies from the cookie jars. With the population learning about hidden cookie jars, the syndicate is moving full force to move; mask; and keep all of the cookies in their control.

I disagreed with Gerald on one point. His thinking was to return surplus revenue to the population to increase economic activity and thus generate more "tax income" for government. I on the other hand want to create **TRF funds** to utilize the revenue whereby the investments return "replaced" taxation so taxation then would be eliminated. The "long term fix" over the short term fix that left taxation (the extortion racket) in place.

Gerald's communication starts with a four-page cover letter; copy of page 32 from the City of Tucson 1998 CAFR (figures expressed in thousands so add three zeros) ; and then a four-page Economic Impact of Surpluses returned to the population analysis.

On page-1 of his cover letter, he notes the **Pima County Health Care System** moved 36-million dollars into an "Investment Trust". After I received this communication from Gerald he informed me upon further investigation on his part that the Pima County Health Care System promoted they were 5-million dollars short on their "budget' and got a 5-million dollar a year perpetual increase in taxation approved. The budget shortfall was due to moving 36-million into the Investment trust. If that 36-million was not moved into the investment trust, the Pima County Health Care System would have had on their operating budget a 31-million dollar surplus over a 5-million dollar "budgetary" deficit.

Please copy my cover letter and Gerald's communication dated 05/11/99 that follows.

I have saved this as a .pdf file, which is a common file format readable through the Adobe Acrobat Reader. The pages are image files so the .pdf document is a large file.

I emphasize that you share this communication with all that you know. Print it out; share by email; publish on your blog or website; and link by Twitter and Facebook. What is the bottom line of this communication?

This communication **should be read by all responsible individuals** that you know and be used to break the silence is golden rule through pressure place on all from the syndicated media; political arenas; and organized education through delivery of the same.

Gerald died 8-years ago (suspiciously I note) and his request of me to keep his name confidential I will breach at this time due to the time passed since his death.

The **Blackout** of the mention of the CAFR and government's collective investment wealth held is still firmly in place. The public continuously is masterfully entertained into distraction and the beat goes on for the government inside players as they perpetuate their next wealth transfer plan to build and perpetuate their own financial empires.

Due to the effects from constant and prolonged attacks facilitated through certain individuals operating out of the Arizona judiciary since 1996, my health is fading. While I still can, I want to make sure this communication is in the hands of many individuals. A primer from 1999 focused on the "root" of almost all financial issues that adversely effect the population.

On page-2, item 4. (c) of Gerald's Impact analysis, is the direction government has primarily moved on over the last decade. Gerald R. Klatt was and is an American hero.

Sent FYI and for yours and all others you may know to keep a record of,

Walter J Burien Jr

Walter Burien – CAFR1.com

TREASON: "Treason doth never prosper; what's the reason? For if it prosper, none dare call it treason." **Sir John Harrington, 1561-1612**

"Fiscal Cliff" Yes, for the entire population and NOT for government administration.

Reviews of the City of Tucson; County of Pima; and many other CAFRs: http://CAFRMan.com

Gerald Klatt's Communication of May 11th 1999 is as follows:

(Cover letter 4-pages; page 32 Tucson City 1998 CAFR; 4-pages impact analysis)

GERALD R. "Skip" KLATT

2860 W. Woodview Crest Dr., Tucson, AZ 85742-8923 (520) 531-0417

May 11, 1999

Mr. Walter J. Burien, Jr
C.E.V.I.
P.O. Box 11444
Prescott, AZ 86304

Dear Mr. Burien:

Thank you for sending me additional information pertaining to your efforts on exposing the CAFR to the public.

During our discussion, I had not explained my background and interest in the CAFR. My education is in accounting with a Masters in Business Management. For 24 years I was a special agent/commander for the USAF Office of Special Investigations and 6 years as an auditor/commander for the Air Force Audit Agency. I also worked 15 years for the Federal government as a cost accountant and worked with the eight (8) States making up the Southeast region.

I have obtained the Tucson and Pima County's CAFR and have made a very cursory review of these documents. I have not had an opportunity to fully analyze either document, but for Pima County there are some interesting items that if I were auditing, I would look more closely at. Eventually, I will spend some time analyzing both CAFRs and compare those with the respective 1999 budgets which I also have. This is just curiosity on my part.

I enjoy reading such things as:

1. In the June 30, 1998 Pima County CAFR:

   "G. DESIGNATED FOR FUTURE RESERVES
   County management, in an effort to maintain and improve the financial stability of the General Fund, has designated a portion of the Unreserved Fund Balance for future reserves." i.e. Surplus!

   Investments amount to $428 million and this appears not to include the pension or deferred compensation plan investments.

   A good example is the Pima Health Care System, showing a budgetary deficit(loss) for the year, had "Due to Other Funds" (page 91) of $36 million. However, on the same page in a different schedule it shows that the Pima Health Care System transferred $36 million to "Investment Trust". Surpluses? Needs more review.

   On Page 18 the schedule shows an "Unreserved" and "Undesignated" amount of $94 million. They don't appear to have any current use for these funds. Surplus?

2. In the June 30, 1998 Tucson CAFR:

   See Page 32 copy enclosed that shows $722 million in investments, which best I can determine do not include the retirement or deferred compensation plan investments. Notice the Corporate Stock($232 million), Corporate Bonds($27 million), International Bonds ($19 million) and International Stock ($35 million).

3. In the FY 1998-99 Tucson Adopted Budget:

   "FIVE-YEAR STRATEGIC APPROACH:
   Unreserved General Recurring Funds Balance

   Prudent financial management mandates that the City of Tucson maintain a substantial unreserved general recurring fund balance. An unbudgeted balance serves as a source financial stability and is a critical factor in determining how bond rating agencies evaluate the city's management of its finances. Generally, a balance equal to a minimum of 5% of expenditures to serve as an unbudgeted strategic reserve is regarded as sound financial policy by knowledgeable professionals and the capital market. Over the years, the Major and Council have concurred that such a balance should be the goal for the City of Tucson. The unbudgeted general recurring fund balance has increased from $0.260 million on June 30, 1990 to an unbudgeted strategic reserve of $13.031 million on June 30, 1997. I strongly recommend that the city continue to the desired level of 5% and that it be achieved as soon as possible." Surplus!

4. In one of the reports, which I cannot find at this time, it states that the bondholders require that the bond fund must have 20% reserve of all the principal and interest due, not for the next payment period, but for all principal and interest for the remaining life of the bond. If this is true, then the issued bonds must have a 20% surplus at all times. I bet I can mathematically prove that it would be better to pay a higher interest rate, not have 20% collateral, using the economic multiplier and increase the amount of government revenues because of the economic multiplier. (See example enclosed)

If the surpluses you have identified exist, then the impact of a government holding these surpluses, rather than returning them to the taxpayers, is much more significant than the surpluses themselves. About 15 years ago I prepared a paper on the impact of Federal funds being returned to the States and why the States should attempt to fight for every dollar. Enclosed is an example and summarization of my original idea, except that I use governmental surpluses instead of the return of Federal dollars. The principal is the same.

I still suggest that in order to get the message out and get valuable input a web site should be established so that millions of people can understand what is going on. For example, I did not know about all the surpluses you have uncovered in other governments or what callers on the Rense talk show had uncovered in their governments.

Think of a web site that contains the following:

1. An explanation of the CAFR and the potential surpluses.

2. A small primer of how to review the CAFR. This could be very small at first, but I assure you the areas to hide the money would be exposed by none other than government employees themselves, provided their identity was kept confidential. Since the CAFR is a standardized report, the primer could initially cover the basic areas to review. This primer could be sold to individuals interested in reviewing their respective CAFRs. As findings come in, the procedures used to hide or mislead the truth could be included in subsequent printings of the primer. In a short period of time, the primer could be a very useful tool as a source of income and advertisement to get the word out on the surpluses in the CAFR.

   The first areas I would include in the primer in which to look for surpluses are:

   A. Investments
   B. Self Insurance/Risk Management Funds
   C. Bond Collateral Requirements
   D. Pension Funds - Funded/Unfunded and the actuarial assumptions used.

3. How to compute the economic impact of returning the surpluses to the people (See example enclosed).

4. A list of government findings by State, county, city, etc. so that viewers could check on what surpluses, if any, have been exposed in their governmental jurisdictions. No findings would be incentives for someone to find out about that government, usually someone living under that government's jurisdiction.

   ARIZONA
   [Findings]
   [Economic impact]

   Pima County
   [Findings]
   [Economic impact]

   Tucson
   [Findings]
   [Economic impact]

   As people report what they found, their findings could be posted under the appropriate government and the identity of the contributor shown. All efforts should be taken to protect the identity of contributors if they request not to be identified. My years of experience states that the protection of sources is the most important aspect of obtaining reliable and pertinent data.

5. In addition, contributions could be requested from the public who want to contribute and continue to obtain data pertaining to the issue.

You may freely use any of the material or ideas I have submitted without any credit or compensation; however, please do not reveal my name, address or any other personal data to others, either directly or indirectly. I am retired and have served my time under fire. I live a simple life and want to keep it simple. Governments are unforgiving. I don't need a special individual tax assessment.

Enclosed is a check for $25.00 which I hope will help defray some of the cost of sending the material to me. Thank you.

Sincerely,

Gerald R Klatt

Gerald R. Klatt
Lt. Colonel, USAF, Retired

(dollar amounts expressed in thousands)

Note 5 - DEPOSITS AND INVESTMENTS (Continued):

Interest and dividend income is recognized on the modified accrual basis. Changes in the fair value of investments are recognized as revenue at the end of the year.

The City's investments at year end are categorized below to give an indication of the level of risk assumed. Category 1 includes investments which are held by the City or its agent in the City's name or are insured or registered. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the City's name. Category 3 includes uninsured or unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the City's name.

	Category 1	Category 2	Category 3	Fair Value
U.S. Issues:				
Government and Agency Securities				
not on Securities Loan	$ 214,054	$	$	$ 214,054
On Loan for Securities Collateral	5,575			5,575
Corporate Bonds				
not on Securities Loan	26,189			26,189
Corporate Stock				
not on Securities Loan	193,174			193,174
On Loan for Securities Collateral	1,744			1,744
Non-U.S. Issues:				
International Bonds	19,302			19,302
International Stock	34,666			34,666
	$ 494,704	$ 0	$ 0	$ 494,704

Investments - Not Categorized:	
Investments held by broker-dealers under securities loans with cash collateral:	
U.S. Government and Agency Securities	41,168
U.S. Corporate Bonds	497
U.S. Stock	38,649
Securities Lending Short-Term Collateral Investment Pool	82,112
Money Market Funds/Short-Term Investments	47,527
Real Estate	17,473
Total Investments	$ 722,130

There were no situations that occurred during the year which posed greater credit risk than at June 30, 1998.

ECONOMICAL IMPACT OF SURPLUSES

If a government has surpluses that should be returned to the taxpayers or users of fee services, the total amount of the surpluses is important, but equally important with more impact is the effect of either returning these surpluses IMMEDIATELY; or having the government lower revenue sources; or returning the surpluses over a period of years.

In order to show the impact in this analysis, there are three items that are needed:

1. The economic multiplier applicable to surpluses to be returned - See Note 1, page 3
   2:1 used in the example
2. Government revenues per dollar of economic activity - See Note 2, page 3
   8% used in the example
3. Job creation per dollar of economic activity - See Note 3, page 4
   $100,000 used in the example

1. The economic multiplier effect.

Let's assume an economic multiplier of 2 and a $1 million surplus. This means that if $1 million is returned to the taxpayers immediately, the economic activity in the governmental jurisdiction will increase by $2 million.

2. Increase in governmental revenues.

If the government retains and invests the surpluses, it receives income on those investments. The exact amount is not known, but can be determined from usually the Treasurer's office of the government. However, the return on invested capital should include monies from all funds. For example, in Pima County the County Treasurer invests county money, various funds invest in the State Treasurer's Investment Pool, and some funds invest monies themselves.

The Tucson Treasurer's office advised that for FY 1998 they had an average return of approximately 5.81% on monies that were invested. They said they were able to obtain a higher rate of return than if the monies had been invested with the State Of Arizona Local Government Investment Pool. However, in the Pima County CAFR they refer to the State Treasurer's Investment Pool which may be the same entity. The actuary projections for "Investment Rate of Return" for the Pima County and Tucson pension funds is 9%.

To be conservative, we will use a rate of return of 9% for our computations. This means that a $1 million surplus would generate $90,000 in revenue for the county. ($1,000,000 multiplied by .09)

With an economic multiplier of 2 and revenues equal to 8% of economic activity, the $1 million surplus returned immediately to the taxpayers generates $160,000 in governmental revenues.

Formula: Surplus times economic multiplier times revenue percentage
$1,000,000 x 2 x .08 = $160,000

In this example the returning of the surplus generates an additional $70,000 (78% more) in revenues for the government than retaining and investing the surpluses. This also means subsequent years' taxes could be reduced.

3. Creation of jobs

Using the economic multiplier of 2 and a job being created for every $100,000 of economic activity, the $1 million surplus being returned to the taxpayer would create an additional 20 jobs.

This may not seem like very much, but when one considers that in the Tucson CAFR, I wonder about $722 million, the above formula equates to approximately 14,440 jobs.

$722,000,000 times 2 divided by $100,000 = 14,440 jobs

I used $100,000 of economic activity. Maybe its much higher than that, but at least this is a starting point for this type of analysis.

4. Immediate Refunds

The above analysis is only available when immediate refunds of surpluses are provided. However, if surpluses exist, governments will not easily return such refunds. The politicians will first propose the following:

a. A lowering of existing taxes/fees until the surplus is eliminated. The people will never get the money.

b. The surpluses will be refunded over a period of years. The people will never get the money.

c. The CAFR will be changed at the Federal and local government levels to again hide or prevent the return of surpluses to the people. The people will never get the money.

d. If surpluses are forced to be returned, the method of refund will be mostly to the wealthiest and most powerful and crumbs will be provided to the people. The people will never get the money.

Demanding immediate refunds would not disrupt the stock, commodities, or financial markets because the identification and implementation of refunds would not all occur at the same time in all governments. The process with its changing of laws and legal battles, political bungling will take a few years. In reality the liquidation of assets will be over a period of time. The infusion of these surpluses back into the economy and into people investments would tend to offset the liquidation process.

The refunds should be provided on per capita based on years of residency (not to exceed 10) in order to provide the most benefit to the people. There are those who would stress an "equitable" distribution. I strongly disagree with this approach. Again, the wealthiest and most powerful will receive the most benefit. Like the income tax and other taxes, where the wealthiest with their foundations, special exemptions, special groups, etc. pay little or no tax in relation to their income, I believe in an "inequitable" distribution, i.e. on a per capita basis regardless of who contributed to the surplus. It is simple to administer and all would benefit. For those who would insist on an "equitable" distribution, I say start with the income tax first. Once you have made that equitable, then request an "equitable" distribution of surpluses.

5. Are the surpluses significant?

If the $722 million in the Tucson CAFR are surpluses, that equates to a potential average refund of $1,547 for every man, women and child living in Tucson, or $6,188 for a family of 4. That would payoff a lot of credit card balances.

If the surpluses nationwide are as dramatic as suspected, immediate refunds to the people could, as shown above, create the greatest economic expansion in U.S. history with tremendous increases in the average American's standard of living, which we know has been declining since 1975.

NOTES TO THE TOTAL IMPACT EXAMPLE:

Note 1 : Accelerator and Multiplier Effects

"Basic to all theories of business-cycle fluctuations and their causes is the relationship between investment and consumption. New investments have what is called a multiplier effect: that is, investment money paid to wage earners and suppliers becomes income to them and then, in turn, becomes income to others as the wage earners or suppliers spend most of their earnings. An expanding ripple effect is thus set into motion.

Similarly, an increasing level of income spent by consumers has an accelerating influence on investment. Higher demand creates greater incentive to increase investment in production, in order to meet that demand. Both of these factors also can work in a negative way, with reduced investment greatly diminishing aggregate income, and reduced consumer demand decelerating the amount of investment spending." ("Business Cycle," Encarta(R) 98 Encyclopedia (c) 1993-1997)

About 15 years ago I had a discussion with Dr. Donald Ratajczak, Director of the Economic Forecasting Center at Georgia State University, in Atlanta, GA. Dr. Ratajczak is a world recognized economist and his services are used worldwide. At that time he advised that when Federal funds are returned to the States, there is an economic multiplier of 2:1, i.e. for every dollar returned to the States, the economic activity increases by two (2) dollars. In the same idea, every dollar going into a State from outside the State, for such investments as a new industry or company, etc., the economic multiplier can be as high as 3:1. I do not know what the economic multipliers are today for the various inflows of funds from outside the governmental jurisdiction or in this case a return of government funds to their taxpayers, but I would assume it is at least 2:1 and if the surpluses being returned were invested outside the government jurisdiction, then the multiplier would probably be greater than 2:1.

Most governments have an economic forecasting organization that would be able to provide the economic multipliers for the various inflows of funds to the economy in which the government has jurisdiction.

Note 2: Government Revenues Per Dollar of Economic Activity

The amount of government revenues per dollar of economic activity probably can be obtain from the government's economic forecasting organization or computed from their data. A simplistic approach, which probably would not be acceptable to the various economic models currently being used, would be to divide the total economic activity in the government's jurisdiction by the total government revenues received from all sources.

In my discussion with Dr. Ratajczak 15 years ago, he stated the States, on an average basis for all States, received in total revenues an average of 16 cents for every dollar of economic activity. This is 16%. I do not know what it is today.

In the example, 8% was arbitrarily used for our county example in order to be conservative.

Note 3: Job creation per so many dollars of economic activity

Again, this figure is either available or could be computed from the government's economic forecasting organization data base.

A simplistic approach is to divide the total economic activity by the number of employees in the government's jurisdiction. I'm sure economists would reject such a simplistic approach, but at least it would be a starting point.

I have arbitrarily used $100,000 in my example just to show how impact could be derived.