

## State accounts

(In billions)	2016	2015
Treasury securities – non-pension	\$ 710	\$ 658
Treasury securities – pension	185	186
Loans from the federal government	(17)	(17)
Net federal assets held by state and local governments	<u>\$ 878</u>	<u>\$ 827</u>

Federal assets and liabilities held by state and local governments, as shown in the table above, were included in our Federal Reserve source data for state and local governments. In preparing combined balance sheets for our Government, we eliminated these intergovernmental holdings, both in the combined balance sheets and in the accompanying footnotes.

## Note 24 – Offsetting amounts

Within our income statements, we have offset certain amounts and reported them as either net revenues or expenditures rather than showing the gross revenues and expenditures. Key offsetting amounts are shown in the table below.

(In billions)	2016			2015		
	Revenues	Expenditures	Net	Revenues	Expenditures	Net
Employee retirement and disability	\$ 138	\$ 472	\$ 334	\$ 132	\$ 454	\$ 322
Higher education	113	288	175	108	274	166
Transit systems	17	69	52	16	69	53
Public hospitals	151	162	11	143	151	8
Sewerage and waste management	73	80	7	71	76	5
Water utilities	62	62	—	61	60	(1)
Tennessee Valley Authority	45	45	—	44	44	—
US Postal Service	71	70	(1)	74	73	(1)
Gas and electric utilities	86	77	(9)	89	81	(8)
Other key offsetting amounts	133	98	(35)	127	97	(30)
Total offsetting amounts	<u>\$ 889</u>	<u>\$ 1,423</u>	<u>\$ 534</u>	<u>\$ 865</u>	<u>\$ 1,379</u>	<u>\$ 514</u>

See descriptions of our Government-run business that are presented above (e.g. Tennessee Valley Authority) at Exhibit 99.04.

## Item 9A. Controls and Procedures

We are documenting the processes and related controls we use to obtain, store, and present our Government's revenue, expenditures, and metrics data. Once the documentation is complete, we intend to engage a public accounting firm to opine on our assertion that the processes and controls are suitably designed and operate effectively to completely and accurately obtain and publish our data set.

# Part III

## Item 10. Executive Officers and Governance

### Executive officers

A list of key executive officers and biographical information appears in *Part I, Item 1. Purpose and Function of Our Government* within this annual report.

### Governance

#### Federal government

All federal government employees are required to act in accordance with the general *Code of Ethics for Government Service*, codified as P.L. 96-303.

## Legislative

The ethical conduct of the elected members of Congress is prescribed by either the *House Ethics Manual* or the *Senate Ethics Manual*, as applicable.

## Executive

The *Executive Order on Ethics Commitments by Executive Branch Personnel* lays out rules on how executive branch appointees are to conduct themselves and requires every appointee in every executive agency to sign an ethics pledge (the Pledge). The Executive Order allows for a waiver when the literal application of the Pledge does not make sense or is not in the public interest. Granted waivers are posted online at <https://www.whitehouse.gov/disclosures/>.

## Judicial

Federal judges must abide by the *Code of Conduct for United States Judges*, a set of ethical principles and guidelines adopted by the Judicial Conference of the United States. The Code of Conduct provides guidance for judges on issues of judicial integrity and independence, judicial diligence and impartiality, permissible extra-judicial activities, and the avoidance of impropriety or even its appearance.

Judges may not hear cases in which they have either personal knowledge of the disputed facts, a personal bias concerning a party to the case, earlier involvement in the case as a lawyer, or a financial interest in any party or subject matter of the case.

Employees of the federal Judiciary are expected to comply with the *Code of Conduct for Judicial Employees*, including observing high standards of conduct so that the integrity and independence of the Judiciary are preserved, and the judicial employee's office reflects a devotion to serving the public.

## State and local government

State and local governments have their own codes of ethics for employees to follow, which are too numerous to outline here.