FINANCIAL AUDIT

# Bureau of the Fiscal Service's FY 2024 and FY 2023 Schedules of Federal Debt

Report to the Secretary of the Treasury

**November 2024**

**GAO-25-107138**

**United States Government Accountability Office**

Accessible Version

# GAO Highlights

View GAO-25-107138. For more information, contact Cheryl E. Clark at (202) 512-3406 or clarkce@gao.gov.
Highlights of GAO-25-107138, a report to the Secretary of the Treasury
**November 2024**

## FINANCIAL AUDIT

## Bureau of the Fiscal Service's FY 2024 and FY 2023 Schedules of Federal Debt

### Why GAO Did This Study

GAO audits the consolidated financial statements of the U.S. government. Because of the significance of the federal debt to the government-wide financial statements, GAO audits Fiscal Service's Schedules of Federal Debt annually to determine whether, in all material respects, (1) the schedules are fairly presented and (2) Fiscal Service management maintained effective internal control over financial reporting relevant to the Schedule of Federal Debt. Further, GAO tests compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements related to the Schedule of Federal Debt.

Federal debt managed by Fiscal Service consists of debt held by the public and intragovernmental debt holdings. Debt held by the public primarily represents the amount the federal government has borrowed to finance cumulative cash deficits and is held by investors outside of the federal government. Intragovernmental debt holdings represent federal debt owed by Treasury to federal government accounts that typically have an obligation to invest their excess annual receipts (and interest earnings) over disbursements in federal securities.

### What GAO Recommends

GAO has previously recommended that Congress consider developing a plan to place the government on a sustainable fiscal path and that the plan include considering alternative approaches to the debt limit.

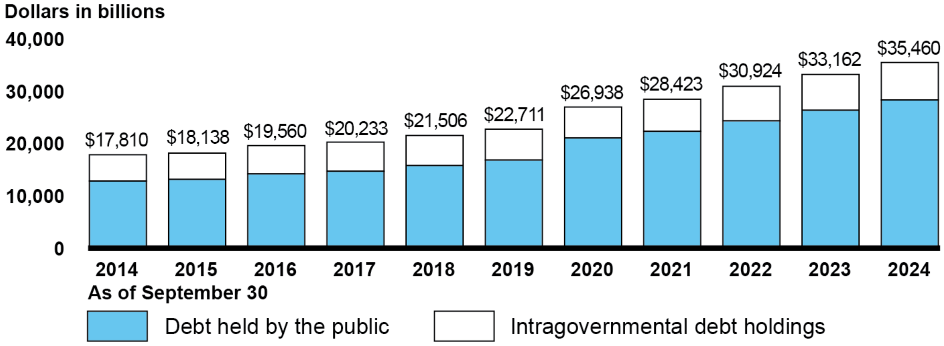
In commenting on a draft of this report, Fiscal Service concurred with GAO's conclusions.

### What GAO Found

GAO found (1) the Bureau of the Fiscal Service's Schedules of Federal Debt for fiscal years 2024 and 2023 are fairly presented in all material respects and (2) Fiscal Service maintained, in all material respects, effective internal control over financial reporting relevant to the Schedule of Federal Debt as of September 30, 2024. GAO's tests of selected provisions of applicable laws, regulations, contracts, and grant agreements related to the Schedule of Federal Debt disclosed no instances of reportable noncompliance for fiscal year 2024.

Over the past 10 years, from fiscal year 2014 through fiscal year 2024, total federal debt managed by Fiscal Service has increased from $17.8 trillion to $35.5 trillion.

**Total Federal Debt Outstanding, September 30, 2014, through September 30, 2024**




Source: GAO analysis of Bureau of the Fiscal Service information. | GAO-25-107138

**Accessible Data for Total Federal Debt Outstanding, September 30, 2014, through September 30, 2024**

| Year | Debt held by the public | Intragovernmental debt holdings | Total |
|---|---|---|---|
| 2014 | 12,785 | 5,025 | 17,810 |
| 2015 | 13,124 | 5,014 | 18,138 |
| 2016 | 14,173 | 5,387 | 19,560 |
| 2017 | 14,673 | 5,560 | 20,233 |
| 2018 | 15,761 | 5,745 | 21,506 |
| 2019 | 16,809 | 5,902 | 22,711 |
| 2020 | 21,019 | 5,919 | 26,938 |
| 2021 | 22,283 | 6,140 | 28,423 |
| 2022 | 24,299 | 6,625 | 30,924 |
| 2023 | 26,330 | 6,832 | 33,162 |
| 2024 | 28,307 | 7,153 | 35,460 |

Source: GAO analysis of Bureau of the Fiscal Service information. GAO-25-107138

Note: A small amount of total federal debt is not subject to the debt limit.

During fiscal year 2024, total federal debt increased by about $2.3 trillion, with about $2.0 trillion of the increase in debt held by the public. The primary reason for increases in debt held by the public is a consequence of borrowing to finance annual budget deficits. The budget deficit for fiscal year 2024 was $1.8 trillion. Additionally, interest on debt held by the public has increased significantly over the last 3 fiscal years, from $497 billion in fiscal year 2022 to $909 billion in fiscal year 2024 (an 83 percent increase).

The statutory debt limit was last raised on December 16, 2021. On June 3, 2023, the Fiscal Responsibility Act of 2023 was enacted, suspending the debt limit through January 1, 2025, thereby covering all of fiscal year 2024. Absent action to increase or suspend the debt limit by the end of the current suspension period, on January 2, 2025, the debt limit will be increased to the amount of qualifying federal debt securities outstanding on that date.

The current approach to the debt limit has created uncertainty and disruptions in the Treasury securities market and increased borrowing costs. Under current policy, spending is expected to exceed revenue, resulting in persistent and widening budget deficits, causing debt held by the public to rise continuously relative to the economy. The federal government is on an unsustainable fiscal path over the long term.

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**Abbreviations**

| | |
|---|---|
| Fiscal Service | Bureau of the Fiscal Service |
| FMFIA | Federal Managers' Financial Integrity Act |
| GDP | gross domestic product |
| Overview | Overview on Federal Debt Managed by the Bureau of the Fiscal Service |
| Schedule of Federal Debt | Schedules of Federal Debt Managed by the Bureau of the Fiscal Service |
| Treasury | Department of the Treasury |

U.S. GOVERNMENT ACCOUNTABILITY OFFICE
441 G St. N.W.
Washington, DC 20548

November 7, 2024

The Honorable Janet L. Yellen
Secretary of the Treasury

Dear Madam Secretary:

The accompanying independent auditor's report presents the results of our audits of the fiscal years 2024 and 2023 Schedules of Federal Debt Managed by the Bureau of the Fiscal Service (Schedule of Federal Debt). Specifically, the independent auditor's report contains

- our opinion that the Schedules of Federal Debt for the fiscal years ended September 30, 2024, and 2023, are presented fairly, in all material respects, in accordance with U.S. generally accepted accounting principles;
- our opinion that the Bureau of the Fiscal Service (Fiscal Service) maintained, in all material respects, effective internal control over financial reporting relevant to the Schedule of Federal Debt as of September 30, 2024; and
- the results of our tests of Fiscal Service's compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements related to the Schedule of Federal Debt, which identified no instances of reportable noncompliance for fiscal year 2024.

The Schedules of Federal Debt present the beginning balances, increases and decreases, and ending balances for (1) Federal Debt Held by the Public and Intragovernmental Debt Holdings, (2) the related Accrued Interest Payables, and (3) the related Net Unamortized Premiums and Discounts managed by the Department of the Treasury's Fiscal Service, and include accompanying notes. As of September 30, 2024, and 2023, federal debt managed by Fiscal Service totaled $35,460 billion and $33,162 billion, respectively, primarily for borrowings to fund the federal government's operations (see table 1).

**Table 1: Federal Debt Managed by the Bureau of the Fiscal Service, as of September 30, 2024, and 2023 (Dollars in billions)**

| | September 30, 2024 | September 30, 2023 |
|---|---:|---:|
| Debt held by the public | 28,307 | 26,330 |
| Intragovernmental debt holdings | 7,153 | 6,832 |
| **Total federal debt** | **35,460** | **33,162** |

Source: GAO analysis of Fiscal Service information. | GAO-25-107138

Debt held by the public primarily represents the amount the federal government has borrowed from the public to finance cumulative cash deficits. Debt held by the public consists of federal debt issued by Treasury and held by investors outside of the federal government—including individuals, corporations, state or local governments, the Federal Reserve, and foreign governments. The majority of debt held by the public consists of marketable Treasury securities, such as bills, notes, bonds, Treasury Inflation-Protected Securities, and Floating Rate Notes, that are sold through auctions and can be resold by whoever owns them. Treasury also issues a smaller amount of nonmarketable securities, such as savings securities and State and Local Government Series securities.

Intragovernmental debt holdings represent federal debt owed by Treasury to federal government accounts—primarily federal trust funds such as those established for Social Security and Medicare—that typically have an obligation to invest their excess annual receipts (including interest earnings) over disbursements in federal securities. Most federal government accounts invest in special nonmarketable Treasury securities that represent legal obligations of Treasury and are guaranteed for principal and interest by the full faith and credit of the U.S. government. The federal government uses its accounts' invested cash surpluses to assist in funding other federal operations. Unlike debt held by the public, intragovernmental debt holdings are not shown as balances on the federal government's consolidated financial statements because they represent loans from one part of the federal government to another. Under U.S. generally accepted accounting principles, when the federal government's financial statements are consolidated, those offsetting balances are eliminated.

Debt held by the public and intragovernmental debt holdings are very different.

- **Debt held by the public** represents a claim on today's taxpayers and absorbs resources from today's economy, meaning that when an investor buys Treasury securities it is not investing that money elsewhere in the economy.
- **Intragovernmental debt holdings** reflect a claim on taxpayers and the economy in the future. Specifically, when federal government accounts redeem Treasury securities to obtain cash to fund expenditures, Treasury usually borrows from the public to finance these redemptions.[1]

Over the past 10 years, total federal debt has increased by $17,650 billion, or 99 percent, from $17,810 billion as of September 30, 2014, to $35,460 billion as of September 30, 2024. The increase in total federal debt has been driven largely by the increase in debt held by the public over the same period, from $12,785 billion as of September 30, 2014, to $28,307 billion as of September 30, 2024. During fiscal year 2024, total federal debt increased by $2,298 billion: a $1,977 billion increase in debt held by the public and $321 billion increase in intragovernmental debt holdings.

The primary reason for the increase in debt held by the public is a consequence of borrowing to finance annual budget deficits.[2] The fiscal year 2024 deficit was $1.8 trillion, the fifth year in a row of a deficit over $1 trillion and up from $1.7 trillion in fiscal year 2023. The fiscal year 2024 increase in debt held by the public of $1,977 billion was greater than the reported fiscal year 2024 budget deficit of $1,833 billion primarily because of an increase in the government's cash balance, partially offset by federal direct loan financing activity.[3] Debt held by the public as a share of gross domestic product (GDP) at the end of fiscal year 2024 was approximately 98 percent, up slightly from approximately 97 percent at the end of fiscal year 2023. Debt held by the public is compared to GDP because it helps relate the debt to the size of the economy supporting it.

[1]For more information regarding the federal debt, see GAO, *America's Fiscal Future: Federal Debt*, accessed October 31, 2024, https://www.gao.gov/americas-fiscal-future/federal-debt.

[2]The budget deficit is the amount by which the government's budget outlays exceed its budget receipts for a given period, usually a fiscal year.

[3]Federal direct loan financing is governed by the Federal Credit Reform Act of 1990, as amended (FCRA), which requires agencies to estimate the cost to the government of extending credit. The policies reflected in FCRA, sometimes referred to simply as credit reform, recognized that the actual cost of a direct loan was not captured by its cash flows in any one year, but rather by the net present value—worth in terms of money paid immediately—of its cash flows over the life of the loan. Under FCRA, the budget records the federal government's estimated net long-term cost—commonly referred to as subsidy cost—in the year the direct loan is made. The budget also records annual updates, or reestimates, of subsidy costs.

Increasing deficits require more borrowing and result in growing interest spending. Interest on debt held by the public has increased significantly over the last 3 fiscal years, from $497 billion in fiscal year 2022 to $909 billion in fiscal year 2024 (an 83 percent increase).[4] Until recently, the federal government's net interest spending (primarily interest on debt held by the public) has represented a relatively small share of total federal spending, primarily because interest rates were historically low. However, interest rates on Treasury securities have risen since fiscal year 2022, and although interest rates have decreased recently, they are expected to be higher in the long term than the historically low interest rates previously experienced. Higher interest rates combined with growing debt lead to projected increases in federal net interest spending.

The total amount of federal debt that can be outstanding is subject to a legal limit known as the debt limit.[5] The debt limit does not restrict Congress's and the President's ability to enact spending and revenue legislation that affects the level of federal debt, nor does it otherwise constrain fiscal policy. Rather, the debt limit is an after-the-fact measure that restricts Treasury's authority to borrow to finance the obligations that arise from laws that Congress and the President have already enacted.

The statutory debt limit was last raised on December 16, 2021, to $31,381 billion. On June 3, 2023, the Fiscal Responsibility Act of 2023 was enacted, suspending the debt limit through January 1, 2025, thereby covering all of fiscal year 2024.[6] Pursuant to this act, the statutory debt limit established in 31 U.S.C. § 3101(b) does not apply for the suspension period. Absent action to increase or suspend the debt limit by the end of the current suspension period, on January 2, 2025, the debt limit will be increased to the amount of qualifying federal debt securities outstanding on that date.

The United States benefits from the confidence investors have that debt backed by the full faith and credit of the U.S. government will be honored. However, the current approach to the debt limit has created uncertainty and disruptions in the Treasury securities market and increased borrowing costs. Notably, there were debt limit impasses in 12 of the last 14 fiscal years that caused Treasury to take extraordinary actions, such as suspending investments to some federal employees' retirement funds, to avoid exceeding the debt limit.[7] If Treasury has exhausted all extraordinary actions and does not have enough cash on hand to meet federal debt and other obligations, it could be forced to delay payments until sufficient funds become available or the debt limit is either statutorily increased or suspended. That is, the U.S. government might eventually be forced to default on its obligations.

Our work has shown that even without a default, a debt limit impasse can be costly. For example, during prior impasses, financial indicators showed that investors demanded a greater return for the increased risk of default. U.S. sovereign debt is no longer rated at the highest level by two of the three main credit rating agencies, reflecting their lowered assessment of U.S. creditworthiness. To avoid disrupting the Treasury market and increasing borrowing costs and to improve federal debt management, Congress should consider

[4]Interest on debt held by the public is described here in nominal terms. Nominal figures are not adjusted for inflation and tend to be higher than real figures, which are adjusted for inflation.

[5]A small amount of total federal debt reported on the Schedule of Federal Debt is not subject to the debt limit. This amount is primarily composed of unamortized discounts on Treasury bills and Zero Coupon Treasury bonds.

[6]Section 401 of Division D "Increase in Debt Limit" of the Fiscal Responsibility Act of 2023, temporarily suspended the statutory debt limit. Pub. L. No. 118-5, div. D, § 401, 137 Stat. 10, 48-49 (June 3, 2023). Pursuant to this act, 31 U.S.C. § 3101(b) does not apply for the period of June 3, 2023, through January 1, 2025.

[7]Treasury considers actions that are not part of its normal cash and debt management operations "extraordinary actions."

alternative approaches to the debt limit that would better align decisions about the level of debt with decisions on spending and revenue at the time those decisions are made.[8]

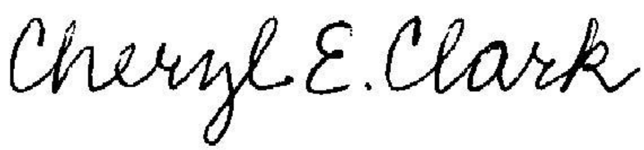
The federal government is on an unsustainable long-term fiscal path, as current government fiscal policy is projected to cause debt held by the public to rise continuously relative to the economy. Under current revenue and spending policy, federal spending is projected to increase more rapidly than revenue, resulting in persistent and widening budget deficits.[9] The unsustainable fiscal path poses serious economic, security, and social challenges if not addressed. Managing the nation's complex challenges requires effective strategies to better plan for and manage risks in highly uncertain environments and changing conditions.

We continue to recommend that Congress develop a plan to address the government's unsustainable long-term fiscal path.[10] A long-term plan can provide a cohesive picture of the government's long-term goals. It can also serve as a mechanism for building consensus around these goals, as well as a road map for achieving them. The sooner actions are taken to alter the government's fiscal path, the less drastic the changes will need to be.

We are sending copies of this report to the appropriate congressional committees, the Fiscal Assistant Secretary of the Treasury, the Commissioner of the Bureau of the Fiscal Service, the Inspector General of the Department of the Treasury, the Director of the Office of Management and Budget, and other interested parties. In addition, this report is available at no charge on the GAO website at https://www.gao.gov.

If you or your staff have any questions concerning this report, please contact me at (202) 512-3406 or clarkce@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made key contributions to this report are listed in appendix III.

Sincerely,



Cheryl E. Clark
Director
Financial Management and Assurance

[8]GAO, *Debt Limit: Market Response to Recent Impasses Underscores Need to Consider Alternative Approaches*, GAO-15-476 (Washington, D.C.: July 9, 2015).

[9]GAO, *The Nation's Fiscal Health: Road Map Needed to Address Projected Unsustainable Debt Levels*, GAO-24-106987 (Washington, D.C.: Feb. 15, 2024).

[10]GAO-24-106987.

U.S. GOVERNMENT ACCOUNTABILITY OFFICE
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**Independent Auditor's Report**

To the Commissioner of the Bureau of the Fiscal Service

In our audits of the fiscal years 2024 and 2023 Schedules of Federal Debt Managed by the Bureau of the Fiscal Service (Schedule of Federal Debt), we found

- the Schedules of Federal Debt for the fiscal years ended September 30, 2024, and 2023, are presented fairly, in all material respects, in accordance with U.S. generally accepted accounting principles;
- the Bureau of the Fiscal Service (Fiscal Service) maintained, in all material respects, effective internal control over financial reporting relevant to the Schedule of Federal Debt as of September 30, 2024; and
- no reportable noncompliance for fiscal year 2024 with provisions of applicable laws, regulations, contracts, and grant agreements we tested related to the Schedule of Federal Debt.

The following sections discuss in more detail (1) our report on the Schedules of Federal Debt and on internal control over financial reporting, which includes a section on other information included with the Schedules of Federal Debt;[1] (2) our report on compliance with laws, regulations, contracts, and grant agreements; and (3) agency comments.

# Report on the Schedules of Federal Debt and on Internal Control over Financial Reporting

## Opinion on the Schedules of Federal Debt

In connection with fulfilling our requirement to audit the consolidated financial statements of the U.S. government, and consistent with our authority to audit statements and schedules prepared by executive agencies, we have audited the Schedules of Federal Debt because of the significance of the federal debt to the federal government's consolidated financial statements.[2] The Schedules of Federal Debt present the beginning balances, increases and decreases, and ending balances for (1) Federal Debt Held by the Public and Intragovernmental Debt Holdings, (2) the related Accrued Interest Payables, and (3) the related Net Unamortized Premiums and Discounts managed by the Department of the Treasury's Fiscal Service and include accompanying notes.[3]

In our opinion, the Schedules of Federal Debt present fairly, in all material respects, Federal Debt Managed by Fiscal Service and the related Accrued Interest Payables and Net Unamortized Premiums and Discounts as of

[1]Other information consists of the Overview on Federal Debt Managed by the Bureau of the Fiscal Service.

[2]31 U.S.C. §§ 331(e)(2), 3521(g), (i). Because Fiscal Service is a bureau within the Department of the Treasury, federal debt and related activity and balances that it manages are also significant to Treasury's financial statements. See 31 U.S.C. § 3515(b).

[3]Debt held by the public represents federal debt issued by Treasury and held by investors outside of the federal government, including individuals, corporations, state or local governments, the Federal Reserve, and foreign governments. Intragovernmental debt holdings represent federal debt owed by Treasury to federal government accounts, primarily federal trust funds such as Social Security and Medicare.

September 30, 2024, and 2023, and the related increases and decreases for the fiscal years then ended in accordance with U.S. generally accepted accounting principles.

## Opinion on Internal Control over Financial Reporting

We also have audited Fiscal Service's internal control over financial reporting relevant to the Schedule of Federal Debt as of September 30, 2024, based on criteria established under 31 U.S.C. § 3512(c), (d), commonly known as the Federal Managers' Financial Integrity Act of 1982 (FMFIA). In our opinion, Fiscal Service maintained, in all material respects, effective internal control over financial reporting relevant to the Schedule of Federal Debt as of September 30, 2024, based on criteria established under FMFIA.

During our fiscal year 2024 audit, we identified deficiencies in Fiscal Service's internal control over financial reporting relevant to the Schedule of Federal Debt that we do not consider to be material weaknesses or significant deficiencies.[4] Nonetheless, these deficiencies warrant Fiscal Service management's attention. We have communicated these matters to Fiscal Service management and, where appropriate, will report on them separately.

## Basis for Opinions

We conducted our audits in accordance with U.S. generally accepted government auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audits of the Schedules of Federal Debt and Internal Control over Financial Reporting section of our report. We are required to be independent of Fiscal Service and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## Responsibilities of Management for the Schedules of Federal Debt and Internal Control over Financial Reporting

Management is responsible for

- the preparation and fair presentation of the Schedules of Federal Debt in accordance with U.S. generally accepted accounting principles;
- preparing and presenting other information included in documents containing the audited Schedules of Federal Debt and auditor's report, and ensuring the consistency of that information with the audited Schedules of Federal Debt;

[4] A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

- designing, implementing, and maintaining effective internal control over financial reporting relevant to the preparation and fair presentation of Schedules of Federal Debt that are free from material misstatement, whether due to fraud or error;
- assessing the effectiveness of internal control over financial reporting based on the criteria established under FMFIA; and
- its assessment about the effectiveness of internal control over financial reporting as of September 30, 2024, included in the accompanying Management's Report on Internal Control over Financial Reporting Relevant to the Schedule of Federal Debt in appendix I.

## Auditor's Responsibilities for the Audits of the Schedules of Federal Debt and Internal Control over Financial Reporting

Our objectives are to (1) obtain reasonable assurance about whether the Schedules of Federal Debt as a whole are free from material misstatement, whether due to fraud or error, and whether effective internal control over financial reporting was maintained in all material respects, and (2) issue an auditor's report that includes our opinions.

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit of the Schedules of Federal Debt or an audit of internal control over financial reporting conducted in accordance with U.S. generally accepted government auditing standards will always detect a material misstatement or a material weakness when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered to be material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the Schedules of Federal Debt.

In performing an audit of the Schedules of Federal Debt and an audit of internal control over financial reporting in accordance with U.S. generally accepted government auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the Schedules of Federal Debt, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the Schedules of Federal Debt.
- Obtain an understanding of internal control relevant to our audit of the Schedule of Federal Debt in order to design audit procedures that are appropriate in the circumstances.
- Obtain an understanding of internal control relevant to our audit of internal control over financial reporting, assess the risks that a material weakness exists, and test and evaluate the design and operating effectiveness of internal control over financial reporting based on the assessed risk. Our audit of internal control also considered Fiscal Service's process for evaluating and reporting on internal control over financial reporting based on criteria established under FMFIA. We did not evaluate all internal controls relevant to operating objectives as broadly established under FMFIA, such as those controls relevant to preparing performance information and ensuring efficient operations. We limited our internal control testing to testing controls over financial reporting. Our internal control testing was for the purpose of expressing an

opinion on whether effective internal control over financial reporting was maintained, in all material respects. Consequently, our audit may not identify all deficiencies in internal control over financial reporting that are less severe than a material weakness.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the Schedules of Federal Debt.
- Perform other procedures we consider necessary in the circumstances.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the Schedule of Federal Debt audit.

## Definition and Inherent Limitations of Internal Control over Financial Reporting

Internal control over financial reporting relevant to the Schedule of Federal Debt is a process effected by those charged with governance, management, and other personnel. The objectives of internal control over financial reporting are to provide reasonable assurance that

- transactions are properly recorded, processed, and summarized to permit the preparation of the Schedules of Federal Debt in accordance with U.S. generally accepted accounting principles and
- transactions related to the Schedules of Federal Debt are executed in accordance with provisions of applicable laws, including those governing the use of budget authority, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the Schedules of Federal Debt.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements due to fraud or error. We also caution that projecting any evaluation of effectiveness to future periods is subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

## Other Information

Fiscal Service’s other information contains a wide range of information, some of which is not directly related to the Schedules of Federal Debt. This information is presented for purposes of additional analysis and is not a required part of the Schedules of Federal Debt. Management is responsible for the other information included in documents containing the audited Schedules of Federal Debt and auditor’s report. The other information comprises the Overview section. Other information does not include the Schedules of Federal Debt and our auditor’s report thereon. Our opinion on the Schedules of Federal Debt does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the Schedules of Federal Debt, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the Schedules of Federal Debt, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

# Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements

In connection with our audits of the Schedules of Federal Debt, we tested compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements consistent with our auditor's responsibilities discussed below.

## Results of Our Tests for Compliance with Laws, Regulations, Contracts, and Grant Agreements

Our tests for compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements disclosed no instances of noncompliance for fiscal year 2024 that would be reportable under U.S. generally accepted government auditing standards. However, the objective of our tests was not to provide an opinion on compliance with laws, regulations, contracts, and grant agreements applicable to Fiscal Service that have a direct effect on the determination of material amounts and disclosures in the Schedule of Federal Debt. Accordingly, we do not express such an opinion.

## Basis for Results of Our Tests for Compliance with Laws, Regulations, Contracts, and Grant Agreements

We performed our tests of compliance in accordance with U.S. generally accepted government auditing standards.

## Responsibilities of Management for Compliance with Laws, Regulations, Contracts, and Grant Agreements

Fiscal Service management is responsible for complying with laws, regulations, contracts, and grant agreements applicable to Fiscal Service.

## Auditor's Responsibilities for Tests of Compliance with Laws, Regulations, Contracts, and Grant Agreements

Our responsibility is to test compliance with selected provisions of laws, regulations, contracts, and grant agreements applicable to Fiscal Service that have a direct effect on the determination of material amounts and disclosures in the Schedule of Federal Debt, and to perform certain other limited procedures. Accordingly, we did not test compliance with all provisions of laws, regulations, contracts, and grant agreements applicable to Fiscal Service. We caution that noncompliance may occur and not be detected by these tests.

## Intended Purpose of Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements

The purpose of this report is solely to describe the scope of our testing of compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements, and the results of that testing, and not to provide an opinion on compliance. This report is an integral part of an audit performed in accordance with U.S. generally accepted government auditing standards in considering compliance. Accordingly, this report on compliance with laws, regulations, contracts, and grant agreements is not suitable for any other purpose.

## Agency Comments

In commenting on a draft of this report, Fiscal Service concurred with our conclusions. The complete text of Fiscal Service's response is reproduced in appendix II.

Cheryl E. Clark

Cheryl E. Clark
Director
Financial Management and Assurance

October 31, 2024

# Overview, Schedules, and Notes Managed by the Bureau of the Fiscal Service

## Overview on Federal Debt Managed by the Bureau of the Fiscal Service

### Overview on Federal Debt Managed by the Bureau of the Fiscal Service

#### *Gross Federal Debt Outstanding*

Federal debt managed by the Bureau of the Fiscal Service (Fiscal Service) comprises debt held by the public and debt held by certain federal government accounts (issued under Title 31, U.S. Code §§ 3101-3113), the latter of which is referred to as intragovernmental debt holdings. As of September 30, 2024 and September 30, 2023, outstanding gross federal debt managed by Fiscal Service totaled $35,460 billion and $33,162 billion, respectively.[1] The increase in gross federal debt of $2,298 billion during fiscal year 2024 was due to an increase in gross debt held by the public of $1,977 billion and an increase in gross intragovernmental debt holdings of $321 billion. As Figure 1 illustrates, debt held by the public and intragovernmental debt holdings increased by $7,288 billion and $1,234 billion, respectively, from September 30, 2020 to September 30, 2024. The increases in debt held by the public are due primarily to total federal spending exceeding total federal revenues. The primary reason for the increases in intragovernmental debt holdings is the excess annual receipts (including interest earnings) over disbursements in the Military Retirement and Health Care funds, the Medicare trust funds, Civil Service Retirement and Disability Fund (CSRDF), and the Federal Housing Administration, Mutual Mortgage Insurance Capital Reserve Account, offset by a decrease in the Social Security trust funds.[2]

Gross federal debt (with some adjustments) is subject to a statutory debt limit. On January 19, 2023, Treasury began taking extraordinary actions which continued through June 2, 2023, to avoid exceeding the debt limit. The extraordinary actions included (1) suspending investments in the Government Securities Investments Fund (G-Fund) of the federal employees' Thrift Savings Plan and CSRDF, (2) redeeming certain investments held by CSRDF and Postal Service Retiree Health Benefits Fund (Postal Benefits Fund) earlier than normal, (3) suspending new issuances of State and Local Government Series (SLGS) securities, and (4) exchanging $1.9 billion of Treasury securities held by the CSRDF for securities issued by the Federal Financing Bank.

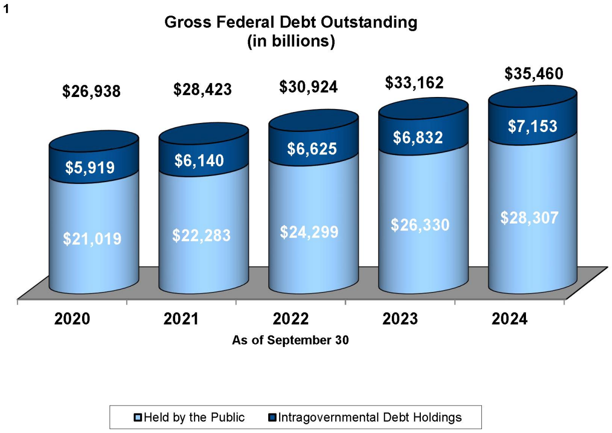
[1] Federal debt outstanding reported here differs from the amount reported in the Financial Report of the United States Government because of the securities not maintained or reported by Fiscal Service which are issued by the Federal Financing Bank and other federal agencies.

[2] The Military Retirement and Health Care funds consist of the Military Retirement Fund and the Medicare-Eligible Retiree Health Care Fund. The Medicare trust funds consist of the Federal Hospital Insurance Trust Fund and the Federal Supplementary Medical Insurance Trust Fund. The Social Security trust funds consist of the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund.

### *Gross Federal Debt Outstanding, cont.*

On Saturday, June 3, 2023, Public Law 118-5 was enacted, suspending the debt limit through January 1, 2025. On Monday, June 5, 2023, Treasury discontinued its use of extraordinary measures and resumed normal debt management operations. As of September 30, 2024 and September 30, 2023, outstanding debt obligations subject to the statutory debt limit were $35,355 billion and $33,070 billion, respectively.

Figure 1



### *Interest Expense*

Interest expense incurred during fiscal year 2024 consists of (1) interest accrued and paid on debt held by the public or credited to accounts holding intragovernmental debt during the fiscal year, (2) interest accrued during the fiscal year, but not yet paid on debt held by the public or credited to accounts holding intragovernmental debt, and (3) net amortization of premiums and discounts. The primary components of interest expense are interest paid on the debt held by the public and interest credited to federal government trust funds and other federal government accounts that hold Treasury securities. The interest paid on the debt held by the public affects the current spending of the federal government and represents the burden of servicing its debt (i.e., payments to outside creditors). Interest credited to federal government trust funds and other federal government accounts, on the other hand, does not result in an immediate outlay of the federal government because one part of the government pays the interest, and another part receives it. However, this interest represents a claim on future budgetary resources and hence an obligation on future taxpayers. This interest, when reinvested by the trust funds and other federal government accounts, is included in the programs' excess funds not currently needed in operations, which are invested in federal securities. For fiscal year 2024, interest expense incurred totaled $1,126 billion; this consisted of interest expense on debt held by the public of $909 billion, and $217 billion in interest incurred for intragovernmental debt holdings.

As Figure 2 illustrates, total interest expense increased from fiscal year 2020 to 2021, from $527 billion to $575 billion. This increase resulted from an increase in interest expense on debt held by the public of $21 billion and an increase in interest expense on intragovernmental debt holdings of $27 billion. The $21 billion increase in interest expense on debt held by the public primarily resulted from (1) an increase in inflation adjustments, which were offset by a decrease in the average interest rates and (2) an increase in the outstanding debt held by the public. The $27 billion increase in interest expense on intragovernmental debt holdings primarily resulted from (1) an increase in inflation adjustments, which were offset by a decrease in the average interest rates and (2) an increase in outstanding intragovernmental debt holdings.

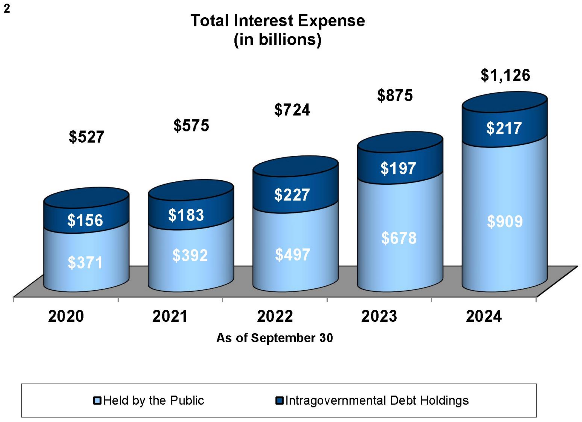
From fiscal year 2021 to 2022, total interest expense increased from $575 billion to $724 billion. This increase resulted from an increase in interest expense on debt held by the public of $105 billion and an increase in interest expense on intragovernmental debt holdings of $44 billion. The $105 billion increase in interest expense on debt held by the public primarily resulted from (1) an increase in inflation adjustments, (2) an increase in the average interest rates, and (3) an increase in the outstanding debt held by the public. The $44 billion increase in interest expense on intragovernmental debt holdings primarily resulted from (1) an increase in inflation adjustments, (2) an increase in the average interest rates, and (3) an increase in outstanding intragovernmental debt holdings.

### *Interest Expense, cont.*

From fiscal year 2022 to 2023, total interest expense increased from $724 billion to $875 billion. This increase resulted from an increase in interest expense on debt held by the public of $181 billion, offset by a decrease in interest expense on intragovernmental debt holdings of $30 billion. The $181 billion increase in interest expense on debt held by the public primarily resulted from (1) an increase in the outstanding debt held by the public and (2) an increase in the average interest rates, which were offset by a decrease in inflation adjustments. The $30 billion decrease in interest expense on intragovernmental debt holdings primarily resulted from (1) a decrease in inflation adjustments, which were offset by an increase in the average interest rates and (2) an offsetting increase in outstanding intragovernmental debt holdings.

From fiscal year 2023 to 2024, total interest expense increased from $875 billion to $1,126 billion. This increase resulted from an increase in interest expense on debt held by the public of $231 billion and an increase in interest expense on intragovernmental debt holdings of $20 billion. The $231 billion increase in interest expense on debt held by the public is the result of an increase in average interest rates and an increase in debt outstanding. The $20 billion increase in interest expense on intragovernmental debt holdings primarily resulted from an increase in the outstanding intragovernmental debt holdings. Average interest rates on principal balances outstanding as of September 30, 2024 and 2023 are disclosed in the Notes to the Schedules of Federal Debt.

Figure 2



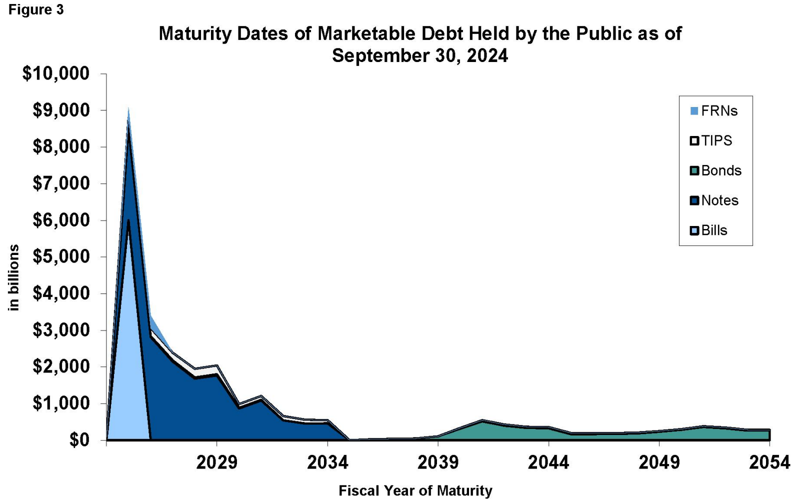
## *Debt Held by the Public*

Debt held by the public primarily represents the amount the federal government has borrowed to finance cumulative cash deficits by the issuance of United States (U.S.) Treasury securities that are guaranteed for principal and interest by the full faith and credit of the U.S. Government.

During fiscal year 2024, Treasury primarily used the existing suite of securities to meet the borrowing needs of the federal government. Treasury bills, notes, bonds, Treasury Inflation-Protected Securities (TIPS), and Floating Rate Notes (FRNs) increased by $745 billion, $613 billion, $461 billion, $116 billion, and $40 billion, respectively in fiscal year 2024. As of September 30, 2024 and 2023, gross debt held by the public totaled $28,307 billion and $26,330 billion, respectively (see Figure 1), an increase of $1,977 billion.

As of September 30, 2024, $27,710 billion, or 98 percent, of the securities that constitute debt held by the public were marketable, meaning that once the federal government issues them, they can be resold by whoever owns them. Marketable debt is made up of Treasury bills, Treasury notes, Treasury bonds, TIPS, and FRNs with maturity dates ranging from less than one year out to 30 years. Of the marketable securities currently held by the public as of September 30, 2024, $16,812 billion, or 61 percent, will mature within the next four years (see Figure 3). As of September 30, 2024 and 2023, total marketable debt held by the public maturing within the next 10 years totaled $22,813 billion and $21,327 billion, respectively, an increase of $1,486 billion.

Figure 3



### *Debt Held by the Public, cont.*

The federal government also issues to the public nonmarketable securities, which cannot be resold, and have maturity dates ranging from on demand out to 40 years. As of September 30, 2024, nonmarketable securities totaled $597 billion, or 2 percent of debt held by the public. As of that date, nonmarketable securities primarily consisted of Government Account Series (GAS) securities totaling $305 billion, U.S. Savings Securities totaling $161 billion, SLGS securities totaling $111 billion, and Domestic Series securities totaling $15 billion. During fiscal year 2024, GAS securities and SLGS securities increased by $6 billion and $17 billion respectively, while U.S. Savings Securities and Domestic Series securities decreased by $14 billion and $7 billion, respectively. As of September 30, 2024 and 2023, total nonmarketable securities totaled $597 billion and $595 billion, respectively, an increase of $2 billion.

The Federal Reserve Banks (FRBs) act as fiscal agents for Treasury, as permitted by the Federal Reserve Act. As fiscal agents for Treasury, the FRBs play a significant role in the processing of marketable book-entry securities and paper U.S. savings bonds. For marketable book-entry securities, select FRBs receive bids, issue book-entry securities to awarded bidders, collect payments on behalf of Treasury, and make interest and redemption payments from Treasury's account to the accounts of security holders. For paper U.S. savings bonds, selected FRBs issue savings bonds purchased with federal income tax refunds, and redeem savings bonds, including handling the related transfers of cash.

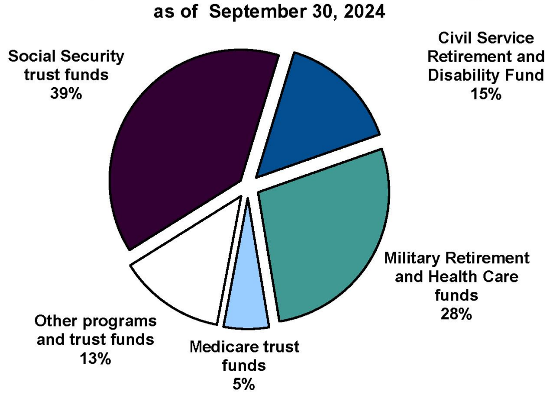
## *Intragovernmental Debt Holdings*

Intragovernmental debt holdings represent balances of Treasury securities held by federal government accounts. There are 241 individual federal government accounts with the authority, some of which are required, to invest excess receipts in special Treasury securities that are guaranteed for principal and interest by the full faith and credit of the U.S. Government. Intragovernmental debt holdings primarily consist of balances in the Social Security trust funds, the Military Retirement and Health Care funds, CSRDF, and the Medicare trust funds. As of September 30, 2024, such funds accounted for $6,213 billion, or 87 percent, of the $7,153 billion intragovernmental debt holdings balance (see Figure 4). As of September 30, 2024 and 2023, gross intragovernmental debt holdings totaled $7,153 billion and $6,832 billion, respectively (see Figure 1), an increase of $321 billion. This increase is primarily the result of (1) an increase in the Military Retirement and Health Care funds of $265 billion, (2) an increase in the Medicare trust funds of $45 billion, (3) an increase in CSRDF of $37 billion, and (4) an increase in Federal Housing Administration, Mutual Mortgage Insurance Capital Reserve Account of $23 billion, offset by a decrease in the Social Security trust funds of $57 billion.

The majority of intragovernmental debt holdings are GAS securities. GAS securities consist of par value securities and market-based securities, with terms ranging from on demand out to 30 years. Par value securities are issued and redeemed at par (100 percent of the face value), regardless of current market conditions. Market-based securities, however, can be issued at a premium or discount and are redeemed at par value on the maturity date or at market value if redeemed before the maturity date.

Figure 4

**Components of Intragovernmental Debt Holdings as of September 30, 2024**



## Significant Events in Fiscal Year 2024

### Debt Buyback Operations

In fiscal year 2024, Treasury re-introduced the buyback program, in which it buys back certain unmatured marketable Treasury securities. The last time Treasury conducted a regular buyback program was from 2000 through 2002. Treasury has conducted small-value buybacks every year since fiscal year 2015 to ensure operational readiness of its buyback infrastructure. Debt buybacks are competitive redemption processes by which Treasury accepts offers to redeem certain marketable Treasury securities prior to their maturity date. Once the securities have been redeemed, the total public debt outstanding is reduced by the amount of the buyback operation.

Buying back debt enables Treasury to better achieve debt management objectives of liquidity support, bolstering market liquidity and cash management, reducing volatility in Treasury cash balance and bill issuance, minimizing bill supply disruptions, and reducing borrowing costs over time.

In April 2024, Treasury conducted three small-value buyback operations totaling $200 million each. In May 2024, Treasury began regular buyback operations, which continued through the end of the fiscal year. The operations included liquidity support buybacks, from May 2024 through September 2024, and cash management buybacks in September 2024. During fiscal year 2024, a total of 24 buybacks occurred involving the redemption of $45 billion of marketable Treasury securities at a total price of $42 billion. Treasury securities bought back during fiscal year 2024 consisted of Treasury notes, bonds, and TIPS with maturity dates ranging from 2024 to 2053 and interest rates ranging from 0.125 percent to 5 percent.

### System Open Market Account (SOMA) Holdings

On May 1, 2024, the Federal Open Market Committee announced beginning in June, the committee will slow the pace of decline of its securities holdings by reducing the monthly redemption cap on Treasury securities from $60 billion to $25 billion. As of September 30, 2024 and September 30, 2023, SOMA holdings were $3,631 billion and $2,787 billion, respectively. As discussed in Note 2, the SOMA holdings exclude Treasury securities used in overnight reverse repurchase transactions and amounts lent to dealers and not collateralized by other Treasury securities.

## *Historical Perspective*

Federal debt outstanding is the largest legally binding obligation of the federal government. Nearly all the federal debt has been issued by Treasury with a small portion being issued by other federal agencies. Treasury issues debt securities for two principal reasons, (1) to borrow needed funds to finance the current operations of the federal government and (2) to provide an investment and accounting mechanism for certain federal government accounts' (primarily federal trust funds) excess annual receipts (including interest earnings) over disbursements. As shown in Figure 5, gross federal debt outstanding has increased over the past 25 years from $5,641 billion as of September 30, 1999, to $35,460 billion as of September 30, 2024.

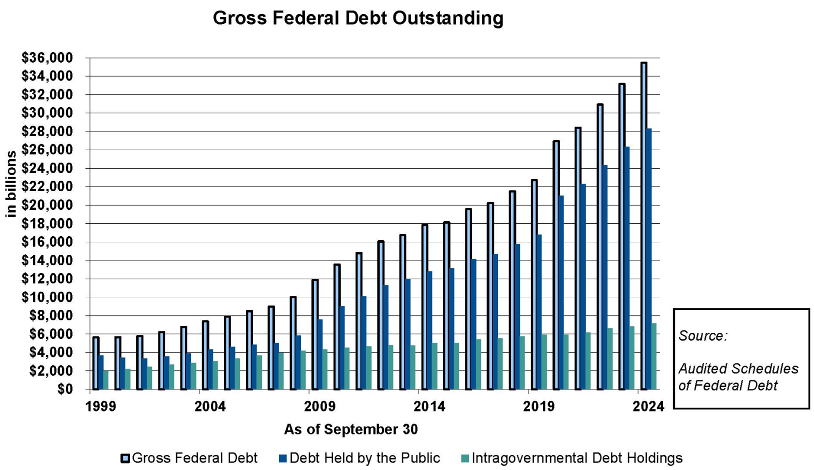
Even in those years where debt held by the public declined, gross federal debt increased because of increases in intragovernmental debt holdings. By law, federal government accounts, including trust funds, have the authority, some of which are required, to invest their excess annual receipts (including interest earnings) over disbursements in federal securities. As a result, the intragovernmental debt holdings primarily represent the cumulative surplus of funds due to the trust funds' cumulative annual excess of tax receipts, interest credited, and other collections compared to spending.

In fiscal years 1999 through 2001, the federal budget was in a surplus. During this period, the amount of debt held by the public fell by $422 billion, from $3,761 billion to $3,339 billion. However, the gross federal debt continued to increase due to increases in intragovernmental holdings of $703 billion, from $1,750 billion to $2,453 billion, from fiscal year 1999 through fiscal year 2001.

Beginning in fiscal year 2002, the federal budget returned to an annual deficit position, which resulted in an increase in debt held by the public. Federal debt held by the public increased from $3,339 billion to $5,049 billion from fiscal year 2002 through fiscal year 2007, an increase of 51 percent. From fiscal year 2008 through fiscal year 2019, federal debt held by the public more than tripled, rising by $11,760 billion from $5,049 billion to $16,809 billion. From fiscal year 2020 through fiscal year 2021, federal debt held by the public grew from $16,809 billion to $22,283 billion, an increase of $5,474 billion. The $5,474 billion increase primarily resulted from the federal government's response to the COVID-19 pandemic. From fiscal year 2022 through 2024, federal debt held by the public increased from $22,283 billion to $28,307 billion, an increase of $6,024 billion. Since fiscal year 2002, debt held by the public has increased from $3,339 billion as of September 30, 2001, to $28,307 billion as of September 30, 2024. Intragovernmental debt holdings increased from $2,453 billion to $7,153 billion during the same time period.

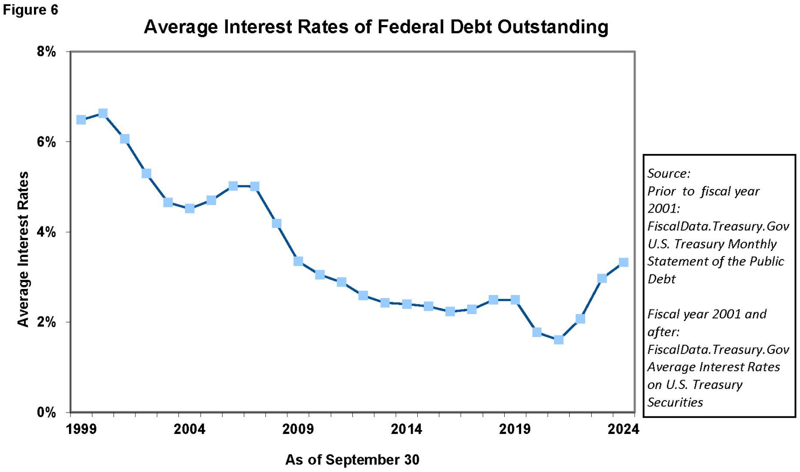
## *Historical Perspective, cont.*

Figure 5




As shown in Figure 6, interest rates have fluctuated over the past 25 years. The average interest rates reflected here represent the original issue weighted effective yield on debt held by the public and intragovernmental debt holdings outstanding, excluding inflation-indexed securities and FRNs, at the end of the fiscal year.

Figure 6




# Schedules of Federal Debt Managed by the Bureau of the Fiscal Service

## Schedules of Federal Debt

***Managed by the Bureau of the Fiscal Service***
***For the Fiscal Years Ended September 30, 2024 and 2023***
***(Dollars in Millions)***

| | Federal Debt | | | | | |
|---|---|---|---|---|---|---|
| | Held by the Public | | | Intragovernmental Debt Holdings | | |
| | Principal (Note 2) | Accrued Interest Payable | Net Unamortized Premiums/ (Discounts) | Principal (Note 3) | Accrued Interest Payable | Net Unamortized Premiums/ (Discounts) |
| ***Balance as of September 30, 2022*** | **$24,299,193** | **$81,183** | **($71,681)** | **$6,624,872** | **$35,303** | **$88,746** |
| **Increases** | | | | | | |
| Borrowings from the Public | 20,142,063 | | (236,948) | | | |
| Net Increase in Intragovernmental Debt Holdings | | | | 206,827 | | (46,630) |
| Accrued Interest (Note 4) | | 488,098 | | | 200,667 | |
| **Total Increases** | **20,142,063** | **488,098** | **(236,948)** | **206,827** | **200,667** | **(46,630)** |
| **Decreases** | | | | | | |
| Repayments of Debt Held by the Public | 18,111,114 | | | | | |
| Interest Paid | | 452,559 | | | 199,155 | |
| Net Amortization (Note 4) | | | (189,900) | | | 3,181 |
| **Total Decreases** | **18,111,114** | **452,559** | **(189,900)** | **0** | **199,155** | **3,181** |
| ***Balance as of September 30, 2023*** | **$26,330,142** | **$116,722** | **($118,729)** | **$6,831,699** | **$36,815** | **$38,935** |
| **Increases** | | | | | | |
| Borrowings from the Public | 28,634,163 | | (318,219) | | | |
| Net Increase in Intragovernmental Debt Holdings | | | | 321,149 | | (62,095) |
| Accrued Interest (Note 4) | | 595,193 | | | 216,789 | |
| **Total Increases** | **28,634,163** | **595,193** | **(318,219)** | **321,149** | **216,789** | **(62,095)** |
| **Decreases** | | | | | | |
| Repayments of Debt Held by the Public | 26,656,993 | | | | | |
| Interest Paid | | 577,917 | | | 213,761 | |
| Net Amortization (Note 4) | | | (313,916) | | | (567) |
| **Total Decreases** | **26,656,993** | **577,917** | **(313,916)** | **0** | **213,761** | **(567)** |
| ***Balance as of September 30, 2024*** | **$28,307,312** | **$133,998** | **($123,032)** | **$7,152,848** | **$39,843** | **($22,593)** |

*The accompanying notes are an integral part of these schedules.*

## Notes to the Schedules of Federal Debt Managed by the Bureau of the Fiscal Service

***Notes to the Schedules of Federal Debt Managed by the Bureau of the Fiscal Service***

***For the Fiscal Years Ended September 30, 2024 and 2023***

***(Dollars in Millions)***

**Note 1. Significant Accounting Policies**

Basis of Presentation

The Schedules of Federal Debt (Schedules) Managed by the Bureau of the Fiscal Service (Fiscal Service) have been prepared to report fiscal year 2024 and fiscal year 2023 balances and activity relating to monies borrowed from the public and certain federal government accounts under Title 31, U.S. Code §§ 3101- 3113 to fund the operations of the United States (U.S.) Government. Permanent, indefinite appropriations are available for the payment of interest and redemption of Treasury securities.

Reporting Entity

The Constitution empowers the Congress to borrow money on the credit of the United States. The Congress has authorized the Secretary of the Treasury to borrow monies to operate the federal government within a statutory debt limit. Title 31, U.S. Code authorizes the Department of the Treasury (Treasury) to prescribe the debt instruments and otherwise limit and restrict the amount and composition of the debt. Fiscal Service, an organizational entity within Treasury, is responsible for issuing Treasury securities in accordance with such authority and to account for the resulting debt. In addition, Fiscal Service maintains an investment program for federal government accounts, including trust funds that have legislative authority to invest temporary cash reserves not needed for current benefits and expenses. Fiscal Service issues and redeems Treasury securities for these federal government accounts based on data provided by the respective program agencies and other Treasury entities.

The Schedules do not consolidate the Federal Reserve Banks (FRBs), based on criteria established under U.S. generally accepted accounting principles (GAAP). The FRBs serve as Treasury's fiscal agent, executing certain transactions related to the issuance, payment of interest, and redemption of Treasury securities held by the public. The FRBs also hold Treasury securities in the FRB's System Open Market Account (SOMA) for the purpose of conducting monetary policy. The relevant activity and balances for the SOMA are disclosed in Note 2.

Basis of Accounting

The Schedules were prepared in accordance with U.S. GAAP and from Fiscal Service's automated debt accounting system. Accounting principles generally accepted for federal entities are the standards prescribed by the Federal Accounting Standards Advisory Board (FASAB), which is the official body for setting accounting standards for federal government reporting entities. The FASAB issued the Statement of Federal Financial Accounting Standards (SFFAS) No. 34, *The Hierarchy of Generally Accepted Accounting Principles, Including the Application of Standards Issued by the Financial Accounting Standards Board* in July 2009. SFFAS No. 34 identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of general purpose financial reports of federal reporting entities that are presented in accordance with generally accepted accounting principles.

Interest costs are recorded as expenses when incurred, rather than when paid. Certain Treasury securities are issued at a discount or premium. These discounts and premiums are amortized over the term of the security using an interest method for all long-term securities and the straight line method for short-term securities. Treasury also issues Treasury Inflation-Protected Securities (TIPS). The principal for TIPS is adjusted daily over the life of the security based on the Consumer Price Index for all Urban Consumers.

***Notes to the Schedules of Federal Debt Managed by the Bureau of the Fiscal Service***
***For the Fiscal Years Ended September 30, 2024 and 2023***
***(Dollars in Millions)***

**Note 2. Federal Debt Held by the Public**

As of September 30, 2024 and 2023, Federal Debt Held by the Public consisted of the following:

| | 2024 | | 2023 | |
|---|---|---|---|---|
| | Amount | Average Interest Rates | Amount | Average Interest Rates |
| Marketable: | | | | |
| Treasury Bills | $6,004,141 | 5.2 % | $5,259,329 | 5.4 % |
| Treasury Notes | 14,338,035 | 2.7 % | 13,724,904 | 2.1 % |
| Treasury Bonds | 4,701,363 | 3.2 % | 4,240,162 | 3.1 % |
| TIPS | 2,051,110 | 0.7 % | 1,934,947 | 0.6 % |
| Floating Rate Notes | 615,530 | 4.7 % | 575,539 | 5.0 % |
| Total Marketable | $27,710,179 | | $25,734,881 | |
| Nonmarketable | $597,133 | 3.7 % | $595,261 | 3.7 % |
| Total Federal Debt Held by the Public | $28,307,312 | | $26,330,142 | |

Treasury issues marketable bills usually at a discount, but may also issue at par, and pays the par amount of the security upon maturity. The average interest rate on Treasury bills represents the original issue effective yield on securities outstanding as of September 30, 2024 and 2023. Treasury bills are issued with a term of one year or less.

Treasury issues marketable notes and bonds as long-term securities that pay semi-annual interest based on the security's stated interest rate. These securities are issued at either par value or at an amount that reflects a discount or a premium. The average interest rate on marketable notes and bonds represents the stated interest rate adjusted by any discount or premium on securities outstanding as of September 30, 2024 and 2023. Treasury notes are issued with a term of two to 10 years and Treasury bonds are issued with a term of more than 10 years.

Treasury issues TIPS that have interest and redemption payments that are tied to the Consumer Price Index for all Urban Consumers, a widely used measure of inflation. TIPS are issued with a term of five years or more. At maturity, TIPS are redeemed at the inflation-adjusted principal amount, or the original par value, whichever is greater. TIPS pay a semi-annual fixed rate of interest applied to the inflation-adjusted principal. The average interest rate on TIPS represents the stated interest rate on the inflation-adjusted principal, adjusted by any discount or premium on securities outstanding as of September 30, 2024 and 2023. The TIPS Federal Debt Held by the Public inflation-adjusted principal balance includes inflation of $386,789 million and $362,285 million as of September 30, 2024 and 2023, respectively.

Treasury issues marketable Floating Rate Notes (FRNs), which accrue interest daily and pay the aggregated interest on a quarterly basis. The interest rate is based on two components; the index rate tied to the highest accepted discount rate of the most recent 13-week marketable bill auction and the spread rate, which is the highest accepted discount rate determined at auction when the FRN is first offered. These securities, like marketable notes and bonds, are issued at either par value or at an amount that reflects a discount or premium. The average interest rate on marketable FRNs represents the highest accepted discount rate of the most recent 13-week marketable bill auction as of September 30, 2024 and 2023, adjusted by any discount or premium on securities outstanding as of these dates. These notes are currently issued with a term of two years.

***Notes to the Schedules of Federal Debt Managed by the Bureau of the Fiscal Service***

***For the Fiscal Years Ended September 30, 2024 and 2023***

***(Dollars in Millions)***

**Note 2. Federal Debt Held by the Public (continued)**

Federal Debt Held by the Public includes federal debt held outside of the U.S. Government by individuals, corporations, FRBs, state and local governments, and foreign governments and central banks. As of September 30, 2024, Treasury securities held by the FRB's SOMA totaled $3,631,218 million, which (1) excludes $735,096 million in Treasury securities used in overnight reverse repurchase transactions and (2) includes a net of $1,957 million held by the FRB as collateral for securities lending activities. As of September 30, 2023, Treasury securities held by the FRB's SOMA totaled $2,786,660 million, which (1) excludes $2,139,431 million in Treasury securities used in overnight reverse repurchase transactions and (2) excludes $26,824 million lent to dealers and not collateralized by other Treasury securities. For fiscal years ended September 30, 2024 and 2023, interest expense related to the FRB's SOMA holdings of Treasury securities was $102,456 million and $105,104 million, respectively.

Treasury issues nonmarketable securities at either par value or at an amount that reflects a discount or a premium. The average interest rate on the nonmarketable securities represents the original issue weighted effective yield on securities outstanding as of September 30, 2024 and 2023. Nonmarketable securities are issued with a term of on demand out to 40 years.

As of September 30, 2024 and 2023, nonmarketable securities consisted of the following:

| | 2024 | 2023 |
|---|---|---|
| Domestic Series | $15,136 | $22,418 |
| State and Local Government Series | 110,928 | 94,169 |
| United States Savings Securities | 161,139 | 175,702 |
| Government Account Series | 305,312 | 298,893 |
| Other | 4,618 | 4,079 |
| Total Nonmarketable | $597,133 | $595,261 |

In fiscal year 2020, Treasury expanded its Domestic Series to include a new special nonmarketable Treasury security, known as a Special Purpose Vehicle (SPV) security. Treasury issued these securities to SPVs, which were established by the Federal Reserve to implement its emergency lending facilities under Section 13(3) of the Federal Reserve Act to respond to the COVID-19 pandemic. An SPV security is a demand deposit certificate of indebtedness for which interest accrues daily and is paid at redemption. In fiscal years 2024 and 2023, the total amounts of SPV redemptions were $7,564 million and $3,954 million, including $282 million and $477 million of capitalized interest, respectively. There were no new SPV issuances in fiscal years 2024 and 2023. As of September 30, 2024 and 2023, the total amount of SPV securities outstanding were $4,632 million and $11,914 million, respectively.

Government Account Series (GAS) securities are nonmarketable securities issued to federal government accounts. Federal Debt Held by the Public includes GAS securities issued to certain federal government accounts. One example is the GAS securities held by the Government Securities Investment Fund (G-Fund) of the federal employees' Thrift Savings Plan. Federal employees and retirees who have individual accounts own the GAS securities held by the fund. For this reason, these securities are considered part of the Federal Debt Held by the Public rather than Intragovernmental Debt Holdings. The GAS securities held by the G-Fund consist of overnight investments redeemed one business day after their issue. As of September 30, 2024 and 2023 the GAS securities held by the G-Fund were $300,008 million and $293,383 million, respectively.

*Notes to the Schedules of Federal Debt Managed by the Bureau of the Fiscal Service*

*For the Fiscal Years Ended September 30, 2024 and 2023*

*(Dollars in Millions)*

**Note 2. Federal Debt Held by the Public (continued)**

The net increase in the G-Fund's principal balance during fiscal year 2024 is included in the Borrowings from the Public amount reported on the Schedules of Federal Debt. The net decrease in the G-Fund's principal balance during fiscal year 2023 is included in the Repayments of Debt Held by the Public amount reported on the Schedules of Federal Debt.

Fiscal year-end September 30, 2023, occurred on a Saturday. As a result, $134,926 million of marketable Treasury notes and $82 million of GAS securities, matured but not repaid are included in the balance of the Federal Debt Held by the Public as of September 30, 2023. Settlement of this debt repayment occurred on Monday, October 2, 2023.

***Notes to the Schedules of Federal Debt Managed by the Bureau of the Fiscal Service***

***For the Fiscal Years Ended September 30, 2024 and 2023***

***(Dollars in Millions)***

**Note 3. Intragovernmental Debt Holdings**

As of September 30, 2024 and 2023, Intragovernmental Debt Holdings are owed to the following:

| | | 2024 | 2023 |
|---|---|---|---|
| SSA: | Federal Old-Age and Survivors Insurance Trust Fund | $2,582,205 | $2,673,749 |
| DOD: | Military Retirement Fund | 1,599,141 | 1,366,845 |
| OPM: | Civil Service Retirement and Disability Fund | 1,067,834 | 1,031,144 |
| DOD: | Medicare-Eligible Retiree Health Care Fund | 386,778 | 354,219 |
| HHS: | Federal Hospital Insurance Trust Fund | 234,960 | 194,362 |
| SSA: | Federal Disability Insurance Trust Fund | 177,775 | 142,906 |
| HHS: | Federal Supplementary Medical Insurance Trust Fund | 164,412 | 159,537 |
| HUD: | FHA, Mutual Mortgage Insurance Capital Reserve Account | 155,941 | 133,105 |
| DOT: | Highway Trust Fund | 96,549 | 115,673 |
| FDIC: | Deposit Insurance Fund | 88,950 | 84,298 |
| DOL: | Unemployment Trust Fund | 88,030 | 81,846 |
| DOE: | Nuclear Waste Disposal Fund | 69,248 | 60,458 |
| DOL: | Pension Benefit Guaranty Corporation Fund | 63,356 | 61,162 |
| OPM: | Employees Life Insurance Fund | 55,035 | 52,526 |
| OPM: | Postal Service Retiree Health Benefits Fund | 28,197 | 32,050 |
| OPM: | Employees Health Benefits Fund | 23,765 | 25,568 |
| HUD: | Guarantees of Mortgage-Backed Securities Capital Reserve Account | 23,062 | 21,030 |
| NCUA: | National Credit Union Share Insurance Fund | 22,782 | 21,560 |
| DOS: | Foreign Service Retirement and Disability Fund | 21,581 | 21,055 |
| DOT: | Airport and Airway Trust Fund | 16,677 | 16,601 |
| USPS: | Postal Service Fund | 15,734 | 18,415 |
| Treasury: | Exchange Stabilization Fund | 15,377 | 14,698 |
| DOI: | Abandoned Mine Reclamation Fund | 14,554 | 14,663 |
| EPA: | Hazardous Substance Superfund | 11,534 | 11,006 |
| DOL: | Pension Benefit Guaranty Corporation Deposit Fund | 11,093 | 11,297 |
| ACE: | Harbor Maintenance Trust Fund | 10,083 | 10,372 |
| Other Programs and Funds | | 108,195 | 101,554 |
| Total Intragovernmental Debt Holdings | | $7,152,848 | $6,831,699 |

Social Security Administration (SSA); Department of Defense (DOD); Office of Personnel Management (OPM); Department of Health and Human Services (HHS); Department of Housing and Urban Development (HUD); Federal Housing Administration (FHA); Department of Transportation (DOT); Federal Deposit Insurance Corporation (FDIC); Department of Labor (DOL); Department of Energy (DOE); National Credit Union Administration (NCUA); Department of State (DOS); United States Postal Service (USPS); Department of the Treasury (Treasury); Department of the Interior (DOI); Environmental Protection Agency (EPA); U.S. Army Corps of Engineers (ACE).

Intragovernmental Debt Holdings primarily consist of GAS securities. Treasury issues GAS securities at either par value or at an amount that reflects a discount or a premium. GAS securities are issued with a term of on demand out to 30 years. GAS securities include TIPS, which are reported at an inflation-adjusted principal balance using the Consumer Price Index for all Urban Consumers. As of September 30, 2024 and 2023, the inflation-adjusted principal balance of Intragovernmental Debt Holdings included inflation of $429,991 million and $387,875 million, respectively. The average interest rates on Intragovernmental Debt Holdings, excluding TIPS and FRNs, for fiscal years 2024 and 2023 were 3.0 percent and 2.7 percent, respectively. The average interest rates on TIPS inflation-adjusted principal for both fiscal years were 1.1 percent. The average interest rates on FRNs for fiscal years 2024 and 2023 were 4.4 percent and 5.4 percent, respectively. The average interest rate represents the original issue weighted effective yield on securities outstanding as of September 30, 2024 and 2023. The components that determine the average interest rate for GAS TIPS and FRNs are the same components discussed in Note 2. Debt Held by the Public.

***Notes to the Schedules of Federal Debt Managed by the Bureau of the Fiscal Service***
***For the Fiscal Years Ended September 30, 2024 and 2023***
***(Dollars in Millions)***

Fiscal year-end September 30, 2023, occurred on a Saturday. As a result, $1,908 million of GAS securities held by federal government accounts matured but not repaid is included in the balance of the Intragovernmental Debt Holdings as of September 30, 2023. Settlement of this debt repayment occurred on Monday, October 2, 2023.

***Notes to the Schedules of Federal Debt Managed by the Bureau of the Fiscal Service***
***For the Fiscal Years Ended September 30, 2024 and 2023***
***(Dollars in Millions)***

**Note 4. Interest Expense**

Interest expense on federal debt for fiscal years 2024 and 2023 consisted of the following:

| | 2024 | 2023 |
|---|---|---|
| Federal Debt Held by the Public | | |
| Accrued Interest | $595,193 | $488,098 |
| Net Amortization of (Premiums) and Discounts | 313,916 | 189,900 |
| Total Interest Expense on Federal Debt Held by the Public | 909,109 | 677,998 |
| Intragovernmental Debt Holdings | | |
| Accrued Interest | 216,789 | 200,667 |
| Net Amortization of (Premiums) and Discounts | 567 | (3,181) |
| Total Interest Expense on Intragovernmental Debt Holdings | 217,356 | 197,486 |
| Total Interest Expense on Federal Debt Managed by Fiscal Service | $1,126,465 | $875,484 |

The valuation of TIPS is adjusted daily over the life of the security based on the Consumer Price Index for all Urban Consumers. This daily adjustment is an interest expense for federal debt managed by Fiscal Service. Accrued interest on Federal Debt Held by the Public includes inflation adjustments of $57,019 million and $59,226 million for fiscal years 2024 and 2023, respectively. Accrued interest on Intragovernmental Debt Holdings includes inflation adjustments of $43,050 million and $42,224 million for fiscal years 2024 and 2023, respectively.

Total interest expense on Intragovernmental Debt Holdings includes gains and losses on early redemption of GAS securities. Early redemptions of GAS securities resulted in net gains of $6,398 million and $1,573 million in fiscal years 2024 and 2023, respectively.

*Notes to the Schedules of Federal Debt Managed by the Bureau of the Fiscal Service*

*For the Fiscal Years Ended September 30, 2024 and 2023*

*(Dollars in Millions)*

**Note 5. (Gain)/Loss on Debt Buybacks**

Section 3111 of Title 31 of the United States Code authorizes Treasury to use money received from the sale of an obligation and other money in the general fund of the Treasury to "buy, redeem, or refund, at or before maturity, outstanding bonds, notes, certificates of indebtedness, Treasury bills, or savings certificates of the United States Government." On January 19, 2000, the regulations for governing marketable Treasury securities redemption operations were codified at 31 CFR Part 375. The authority to buyback securities enables Treasury to better achieve debt management objectives of liquidity support, bolstering market liquidity and cash management, reducing volatility in Treasury cash balance and bill issuance, minimizing bill supply disruptions, and reducing borrowing costs over time. A buyback occurs when Treasury redeems outstanding marketable Treasury securities prior to their maturity dates. In a buyback, the owner of the security sells it to Treasury on a voluntary basis at a price determined by a competitive auction process. Once the securities have been redeemed, the total public debt outstanding is reduced by the amount of the buyback operation. The first of these buybacks occurred in 2000 and continued through 2002. Treasury did not conduct buybacks again until fiscal year 2015, when it conducted two small-value buybacks to ensure operational readiness of its buyback infrastructure. Treasury continued to conduct regular small-value buyback operations periodically to ensure operational readiness through April 2024. In May 2024, Treasury began regular buyback operations, which continued through the end of the fiscal year. The operations included liquidity support buybacks, from May 2024 through September 2024, and cash management buybacks in September 2024.

Buybacks of Treasury securities are conducted by Treasury's fiscal agent, the Federal Reserve Bank of New York (FRBNY). Only primary dealers, as designated by FRBNY, may submit offers.

During fiscal year 2024, there were three operational readiness buyback operations and 21 regular buyback operations and in 2023 there was one operational readiness buyback operation, those involved the following:

| | 2024 | 2023 |
|---|---|---|
| Total Amount Paid for Debt Buybacks, excluding accrued interest | $41,938 | $22 |
| Principal Amount of Debt Buybacks | 45,442 | 24 |
| (Discount)/Premium on Debt Buybacks | ($3,504) | ($2) |
| Write off of Net Unamortized (Discount)/Premium on Debt Buybacks | 47 | 0 |
| (Gain)/Loss on Debt Buybacks | ($3,457) | ($2) |

# Appendix I: Management's Report on Internal Control over Financial Reporting Relevant to the Schedule of Federal Debt

DEPARTMENT OF THE TREASURY
BUREAU OF THE FISCAL SERVICE
WASHINGTON, DC 20227

October 31, 2024

Management's Report on Internal Control over Financial Reporting Relevant to the Schedule of Federal Debt

The Bureau of the Fiscal Service's (Fiscal Service) internal control over financial reporting relevant to the Schedule of Federal Debt is a process effected by those charged with governance, management, and other personnel, the objectives of which are to provide reasonable assurance that (1) transactions are properly recorded, processed, and summarized to permit the preparation of the Schedule of Federal Debt in accordance with U.S. Generally Accepted Accounting Principles; and (2) transactions related to the Schedule of Federal Debt are executed in accordance with provisions of applicable laws, including those governing the use of budget authority, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the Schedule of Federal Debt.

Fiscal Service management is responsible for designing, implementing, and maintaining effective internal control over financial reporting relevant to the preparation and fair presentation of the Schedule of Federal Debt that is free from material misstatement, whether due to fraud or error. Fiscal Service management assessed the effectiveness of Fiscal Service's internal control over financial reporting relevant to the Schedule of Federal Debt as of September 30, 2024, based on the criteria established under 31 U.S.C. § 3512(c), (d) (commonly known as the Federal Managers' Financial Integrity Act).

Based on that assessment, we conclude that, as of September 30, 2024, Fiscal Service's internal control over financial reporting relevant to the Schedule of Federal Debt was effective.

Timothy E. Gribben
Commissioner

Sandra R. Paylor
Assistant Commissioner,
Fiscal Accounting

Daniel P. Berger
Chief Financial Officer,
Office of the Chief Financial Officer

Nathaniel Reboja
Chief Information Officer and
Assistant Commissioner,
Information and Security Services

# Accessible Text for Appendix I: Management's Report on Internal Control over Financial Reporting Relevant to the Schedule of Federal Debt

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BUREAU OF THE FISCAL SERVICE
WASHINGTON, DC 20227

October 31, 2024

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Timothy E. Gribben
Commissioner

Sandra R. Paylor
Assistant Commissioner, Fiscal Accounting

Daniel P. Berger
Chief Financial Officer, Office of the Chief Financial Officer

Nathaniel Reboja
Chief Information Officer and Assistant Commissioner, Information and Security Services

# Appendix II: Comments from the Bureau of the Fiscal Service

COMMISSIONER

DEPARTMENT OF THE TREASURY
BUREAU OF THE FISCAL SERVICE
WASHINGTON, DC 20227

November 1, 2024

Ms. Cheryl E. Clark, Director
Financial Management and Assurance
U.S. Government Accountability Office
441 G Street, NW
Washington, DC 20548

Dear Ms. Clark:

This letter is in response to your audit of the Schedules of Federal Debt Managed by the Bureau of the Fiscal Service for the fiscal years ended September 30, 2024, and 2023. We agree with the conclusions of your audit report.

We appreciate the knowledge and experience displayed by your team throughout the audit and recognize their efforts to ensure the audit process was timely and efficient. We would also like to thank you and your staff for the thorough audit of these schedules as we finalize the twenty-eighth year of our professional relationship and look forward to sustaining a productive relationship in the years to come.

Sincerely,

Tim Gribben

Timothy E. Gribben
Commissioner

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DEPARTMENT OF THE TREASURY
BUREAU OF THE FISCAL SERVICE
WASHINGTON, DC 20227

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U.S. Government Accountability Office
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Sincerely,
Timothy E. Gribben
Commissioner

# Appendix III: GAO Contact and Staff Acknowledgments

## GAO Contact

Cheryl E. Clark, (202) 512-3406 or clarkce@gao.gov

## Staff Acknowledgments

In addition to the contact named above, the following staff made key contributions to this report: Paul Foderaro (Assistant Director), Debra Hoffman (Analyst in Charge), Mark Cheung, Jamese Cobb, Liliam Coronado, Vincent Gomes, Crystal Gomez, Tyrone Hutchins, Andrew Long, Dragan Matic, Jenny Lee, Bradford Neumann, Judy Tsan, Timothy Ward, Isaac White, and Yiming (Ivy) Wu. Additional assistance was provided by Margaret McKenna Adams, Sharon Byrd, Tara Carter, Wayne Emilien, Alexander Gromadzki, Jason Kelly, Andrew Kurtzman, Kevin Metcalfe, Jennifer Stavros-Turner, Chaojie (Jay) Wang, and Seyda Wentworth.

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