United States Government Accountability Office

Report to the Secretary of the Treasury

January 2026

FINANCIAL AUDIT

Bureau of the Fiscal Service's FY 2025 and FY 2024 Schedules of Federal Debt

GAO-26-107908

GAO Highlights

FINANCIAL AUDIT

Bureau of the Fiscal Service's FY 2025 and FY 2024 Schedules of Federal Debt

GAO-26-107908 January 2026

A report to the Secretary of the Treasury

For more information, contact Cheryl E. Clark at clarkce@gao.gov.

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 the Department of the Treasury to other 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 continues to recommend that Congress and the administration develop a strategy to address the government's unsustainable fiscal path, and that the strategy include considering approaches to the debt limit that link decisions about the level of debt with spending and revenue decisions at the time those decisions are made.

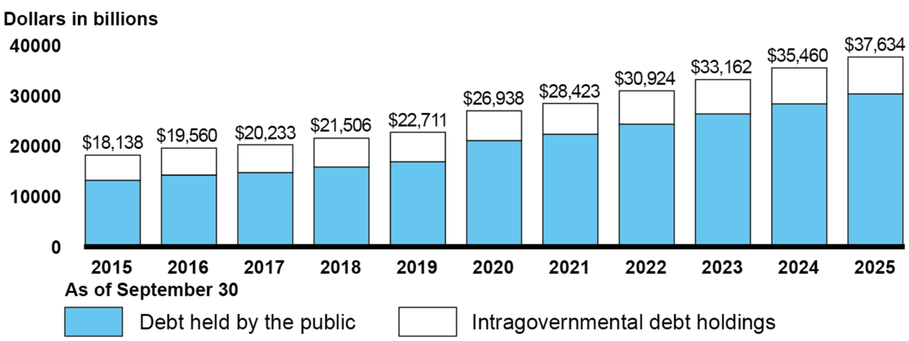
In commenting on a draft of this report, Fiscal Service concurred with GAO's conclusions.

What GAO Found

GAO found (1) the Bureau of the Fiscal Service's Schedules of Federal Debt for fiscal years 2025 and 2024 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, 2025. 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 2025.

Over the past 10 years, from fiscal year 2015 through fiscal year 2025, total federal debt managed by Fiscal Service has increased from $18.1 trillion to $37.6 trillion.

Total Federal Debt Outstanding, September 30, 2015, through September 30, 2025



Source: GAO analysis of Bureau of the Fiscal Service information. | GAO-26-107908

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

During fiscal year 2025, total federal debt increased by about $2.2 trillion, with about $2.0 trillion of the increase in debt held by the public. Debt held by the public is increasing mainly because the federal government continues to spend more than it collects in revenue, resulting in annual budget deficits that must be financed through borrowing. The budget deficit for fiscal year 2025 was $1.8 trillion. Additionally, interest on debt held by the public has increased significantly, nearly doubling over the last 3 fiscal years, from about $500 billion in fiscal year 2022 to about $1.0 trillion in fiscal year 2025.

On June 3, 2023, the Fiscal Responsibility Act of 2023 was enacted, suspending the debt limit through January 1, 2025. Effective January 2, 2025, the statutory debt limit was set at $36.1 trillion. Extraordinary measures began on January 21, 2025, to prevent the U.S. government from defaulting on its obligations. Extraordinary measures continued until Monday, July 7, 2025, after the debt limit was increased on July 4, 2025, by $5.0 trillion to $41.1 trillion.

The current approach to the debt limit has created uncertainty and disruptions in the Treasury securities market and has increased borrowing costs. In early 2025, the Congressional Budget Office projected that federal deficits will exceed $2 trillion annually over the next decade and remain historically large for the following 30 years under current law. The federal government remains on an unsustainable long-term fiscal path.

Contents

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

GAO U.S. GOVERNMENT ACCOUNTABILITY OFFICE

441 G St. N.W.
Washington, DC 20548

January 20, 2026

The Honorable Scott Bessent
Secretary of the Treasury

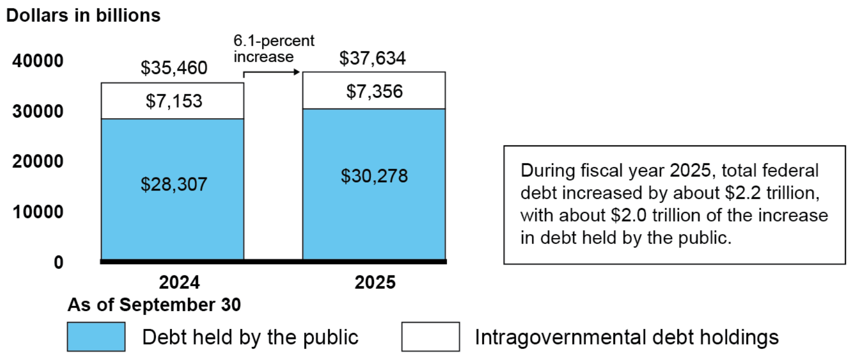
Dear Mr. Secretary:

The accompanying independent auditor's report presents the results of our audits of the Schedules of Federal Debt, managed by the Bureau of the Fiscal Service (Fiscal Service) for fiscal years 2025 and 2024. Specifically, the independent auditor's report contains

- our opinion that the Schedules of Federal Debt for the fiscal years ended September 30, 2025, and 2024, are presented fairly, in all material respects, in accordance with U.S. generally accepted accounting principles;
- our opinion that Fiscal Service maintained, in all material respects, effective internal control over financial reporting relevant to the Schedule of Federal Debt as of September 30, 2025; 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 2025.

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, 2025, and 2024, federal debt managed by Fiscal Service totaled $37.6 trillion and $35.5 trillion, respectively, primarily for borrowings to fund the federal government's operations (see fig. 1).

Figure 1: Federal Debt Managed by the Bureau of the Fiscal Service, as of September 30, 2024, and 2025



Source: GAO. | GAO-26-107908

Federal debt is composed of debt held by the public and intragovernmental debt holdings.

- **Debt held by the public** primarily represents the amount the federal government has borrowed from the public to finance cumulative cash deficits. It 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 resold in the secondary market. Treasury also issues a smaller amount of nonmarketable securities, such as U.S. Savings Bonds and State and Local Government Series securities.
- **Intragovernmental debt holdings** represent debt owed by Treasury to other 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.[1] When these accounts redeem their securities to

[1]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.

obtain cash for expenditures, Treasury usually borrows from the public to finance these redemptions.[2]

Over the past 10 years, total federal debt has increased by $19.5 trillion, or 107 percent, from $18.1 trillion as of September 30, 2015, to $37.6 trillion as of September 30, 2025. The increase in total federal debt has been driven largely by the increase in debt held by the public over the same period, from $13.1 trillion as of September 30, 2015, to $30.3 trillion as of September 30, 2025.

For fiscal year 2025, debt held by the public increased mainly because the federal government spent more than it collected in revenue, resulting in a $1.8 trillion annual budget deficit that must be financed through borrowing.[3] The increase in debt held by the public was greater than the reported budget deficit primarily because of an increase in both federal direct loan financing activity and the government's cash balance.[4] Debt held by the public as a share of gross domestic product (GDP) at the end of fiscal year 2025 was approximately 99 percent, up slightly from approximately 98 percent at the end of fiscal year 2024. Debt held by the public is compared to GDP because it shows the burden of debt relative to the country's economic output, or ability to repay the debt.

Deficits require more borrowing and, all else equal, result in growing interest spending. Interest expense on debt held by the public has increased significantly, nearly doubling over the last 3 fiscal years, from about $500 billion in fiscal year 2022 to about $1.0 trillion in fiscal year

[2]For more information regarding the federal debt, see GAO, *America's Fiscal Future: Federal Debt*, accessed January 12, 2026, https://www.gao.gov/americas-fiscal-future/federal-debt.

[3]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.

[4]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—the value 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 based on assumptions about future loan performance. The budget also records annual updates, or reestimates, of subsidy costs to account for actual loan performance and changes in assumptions about future performance. While cash disbursements occur when direct loans are originated, subsidy costs and reestimates are noncash budgetary amounts that increase the fiscal year deficit but do not involve cash outflows and therefore do not increase the fiscal year debt.

2025.[5] Interest spending can increase when the amount of debt grows, interest rates rise, or both. Interest rates on Treasury securities have generally risen since fiscal year 2022. The combination of higher rates and growing debt will continue to push interest spending higher.

The total amount of federal debt is subject to a legal limit known as the debt limit.[6] The debt limit does not restrict Congress's and the President's ability to enact spending and revenue legislation, 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.

On June 3, 2023, the Fiscal Responsibility Act of 2023 was enacted, suspending the debt limit through January 1, 2025.[7] Effective January 2, 2025, the statutory debt limit was set at $36.1 trillion. On January 21, 2025, Treasury began taking extraordinary measures to prevent the U.S. government from defaulting on its obligations.[8] On July 4, 2025, Public Law 119-21, commonly known as the "One Big Beautiful Bill Act," was enacted, raising the debt limit by $5.0 trillion to $41.1 trillion.[9]

On Monday, July 7, 2025, the first business day after the debt limit was increased, Treasury discontinued its use of extraordinary measures and resumed normal debt management operations. This included Treasury restoring uninvested principal amounts to the affected federal government accounts in accordance with relevant laws thereby increasing the federal debt. Treasury, in accordance with relevant laws, restored foregone interest to one affected account on July 8, 2025, and to the remaining

[5]Interest on debt held by the public is described here in nominal terms. Nominal values are not adjusted for inflation, so the purchasing power of the same dollar value may differ across time periods. However, interest on the debt, and principal repayment, are paid in nominal terms, not real terms.

[6]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.

[7]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.

[8]Extraordinary measures are actions that Treasury takes as it nears the debt limit to avoid exceeding the limit. These actions are not part of Treasury's normal cash and debt management operations.

[9]Pub. L. No. 119-21, title VII, subtitle C, § 72001, 139 Stat. 72, 332 (2025).

accounts on the subsequent semiannual interest payment date, December 31, 2025. The Overview to the Schedules of Federal Debt provides details on the extraordinary measures Treasury took in fiscal year 2025.

Taxpayers benefit from the strong investor confidence in debt backed by the full faith and credit of the U.S. government, which helps keep interest rates low and reduces the overall cost of federal borrowing. However, the current approach to the debt limit has created uncertainty and disruptions in the Treasury securities market and has increased borrowing costs. There were debt limit impasses in 13 of the last 15 fiscal years that required Treasury to take extraordinary measures, such as suspending investments to some federal employees' retirement funds, to avoid exceeding the debt limit. If Treasury exhausts all extraordinary measures and does not have enough cash on hand to meet federal debt and other obligations, it could be forced to delay payments. 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 to the federal government and taxpayers. For example, during prior impasses issuing debt cost the government more as investors demanded a higher interest rate for the increased risk of default. U.S. sovereign debt is no longer rated at the highest level by the three main credit rating agencies, reflecting their lowered assessment of U.S. creditworthiness.[10] To avoid disrupting the Treasury market and increasing borrowing costs and to improve federal debt management, we continue to recommend that Congress consider immediately replacing the current debt limit process with an approach that links decisions about the level of debt with spending and revenue decisions at the time those decisions are made.[11]

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[10]In August 2011, S&P Global lowered its long-term sovereign credit rating on the United States from its highest level to its second highest level, citing the rising public debt burden and greater uncertainty around the debt limit. On August 1, 2023, Fitch Ratings downgraded the United States' sovereign credit rating from its highest level to its second highest level. The credit rating agency said repeated debt limit standoffs and last-minute resolutions have eroded confidence in the nation's fiscal management. Moody's downgraded the U.S. credit rating from its highest level Aaa down one notch to Aa1 in May 2025, citing concerns about rising federal debt, growing interest costs, and political gridlock on fiscal issues.

[11]GAO, *Debt Limit: Statutory Changes Could Avert the Risk of a Government Default and Its Potentially Severe Consequences*, GAO-25-107089 (Washington, D.C.: Dec. 11, 2024).

The federal government is on an unsustainable fiscal path, as current government fiscal policy is projected to result in debt held by the public growing at a faster rate than the economy. In January 2025, the Congressional Budget Office projected that fiscal policy under current law will result in average annual budget deficits of more than $2 trillion in the coming 10 years.[12] Further, in March 2025, the Congressional Budget Office projected that the total federal budget deficit will remain large by historical standards over the next 30 years.[13] To finance these persistent deficits, the federal government will continue to borrow from the public.

The unsustainable fiscal outlook 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 and the administration develop a strategy to address the government's unsustainable fiscal outlook.[14] A strategy 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.

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 clarkce@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page

[12]Congressional Budget Office, *The Budget and Economic Outlook 2025 to 2035* (January 2025). In July 2025, CBO estimated that the One Big Beautiful Bill Act will increase the cumulative deficit from 2025 to 2034 by about $4 trillion relative to its January 2025 baseline estimate.

[13]Congressional Budget Office, *The Long-Term Budget Outlook 2025 to 2055* (March 2025).

[14]GAO, *The Nation's Fiscal Health: Strategy Needed as Debt Levels Accelerate*, GAO-25-107714 (Washington, D.C.: Feb. 5, 2025).

of this report. GAO staff who made key contributions to this report are listed in appendix III.

Sincerely,

//SIGNED//

Cheryl E. Clark
Director
Financial Management and Assurance

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

Independent Auditor's Report

To the Commissioner of the Bureau of the Fiscal Service

In our audits of the fiscal years 2025 and 2024 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, 2025, and 2024, 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, 2025; and
- no reportable noncompliance for fiscal year 2025 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 accordance 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

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

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 September 30, 2025, and 2024, 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, 2025, 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, 2025, based on criteria established under FMFIA.

During our fiscal year 2025 and 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

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[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.

[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.

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;
- 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, 2025, 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 2025 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.

//SIGNED//

Cheryl E. Clark
Director
Financial Management and Assurance

January 12, 2026

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, 2025, and September 30, 2024, outstanding gross federal debt managed by Fiscal Service totaled $37,634 billion and $35,460 billion, respectively.[1] The increase in gross federal debt of $2,174 billion during fiscal year 2025 was due to an increase in gross debt held by the public of $1,971 billion and an increase in gross intragovernmental debt holdings of $203 billion. As Figure 1 illustrates, debt held by the public and intragovernmental debt holdings increased by $7,995 billion and $1,216 billion, respectively, from September 30, 2021, to September 30, 2025. The increases in debt held by the public are due primarily to total federal spending exceeding total federal revenues. The primary reason for the increase in intragovernmental debt holdings is the excess annual receipts (including interest earnings) over disbursements in the Military Retirement and Health Care funds, the Civil Service Retirement and Disability Fund (CSRDF), and the Deposit Insurance Fund, offset by Social Security trust funds.[2]

Gross federal debt, with certain adjustments, is subject to a statutory debt limit, which is the total amount of money the U.S. government is authorized to borrow to meet its existing legal obligations. Congress has provided Treasury with statutory authority to take certain extraordinary measures when the public debt nears the debt limit and a delay in raising the debt limit occurs. These measures authorize Treasury to deviate from normal debt management operations to avoid exceeding the debt limit. The available extraordinary measures include (1) suspend new issuances of Treasury securities to the Government Securities Investment Fund (G Fund), the CSRDF, the Postal Service Retiree Health Benefits Fund (Postal Benefits Fund), and the Exchange Stabilization Fund (ESF), (2) redeem early a certain amount of Treasury securities held by the CSRDF and Postal Benefit Fund, (3) suspend new issuances of State and Local Government Series (SLGS) securities, (4) utilize Federal Financing Bank (FFB) to exchange outstanding Treasury securities held by the CSRDF for non-Treasury securities, and (5) issue cash management bills to manage short-term financing needs. On January 21, 2025, Treasury began taking extraordinary measures to avoid exceeding the debt limit.

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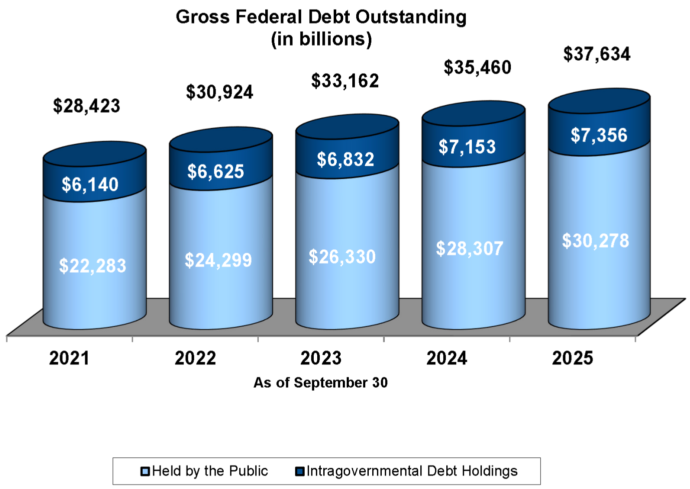
[1] Federal debt outstanding reported here differs from the amount reported in the Financial Report of the United States Government because of the securities not maintained or reported by Fiscal Service which are issued by the Federal Financing Bank and other federal agencies.

[2] The Military Retirement and Health Care funds consist of the Military Retirement Fund and the Medicare-Eligible Retiree Health Care Fund. The 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 Friday, July 4, 2025, Public Law 119-21 was enacted, increasing the debt limit by $5 trillion, from $36.1 trillion to $41.1 trillion. On Monday, July 7, 2025, the first business day after the debt limit was increased, Treasury discontinued its use of extraordinary measures and resumed normal debt management operations. As of September 30, 2025, and September 30, 2024, outstanding debt obligations subject to the statutory debt limit were $37,526 billion and $35,355 billion, respectively.

Figure 1



Interest Expense

Interest expense incurred during fiscal year 2025 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 2025, interest expense incurred totaled $1,224 billion; this consisted of interest expense on debt held by the public of $987 billion, and $237 billion in interest incurred for intragovernmental debt holdings.

As Figure 2 illustrates, total interest expense from fiscal year 2021 to 2022 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.

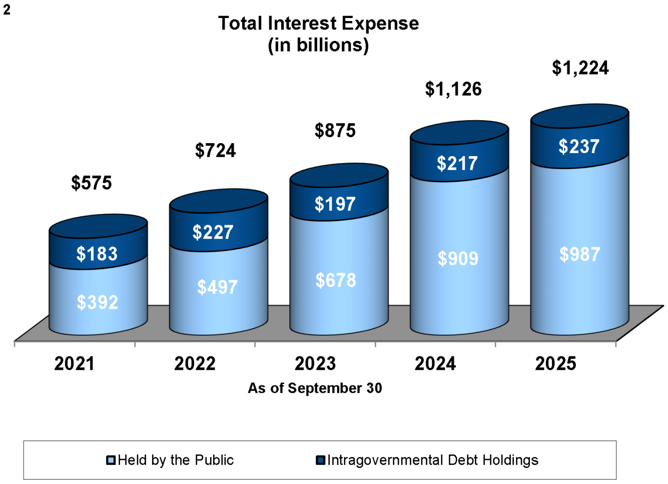
From fiscal year 2022 to 2023, total interest expense increased from $724 billion to $875 billion. This increase resulted from an increase in interest expense on debt held by the public of $181 billion, offset by a decrease in interest expense on intragovernmental debt holdings of $30 billion. The $181 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.

Interest Expense, cont.

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 the 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.

From fiscal year 2024 to 2025, total interest expense increased from $1,126 billion to $1,224 billion. This increase resulted from an increase in interest expense on debt held by the public of $78 billion and an increase in interest expense on intragovernmental debt holdings of $20 billion. The $78 billion increase in interest expense on debt held by the public is the result of 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, 2025 and 2024 are disclosed in the Notes to the Schedules of Federal Debt.

Figure 2



Debt Held by the Public

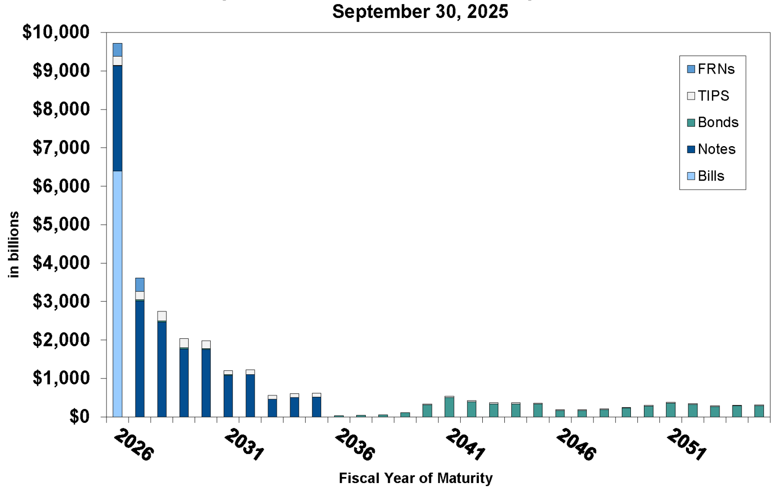
Debt held by the public primarily represents the amount the federal government has borrowed to finance cumulative cash deficits by the issuance of United States (U.S.) Treasury securities that are guaranteed for principal and interest by the full faith and credit of the U.S. Government.

During fiscal year 2025, Treasury primarily used the existing suite of securities to meet the borrowing needs of the federal government. As of September 30, 2025, Treasury bills totaled $6,397 billion, notes totaled $15,387 billion, bonds totaled $5,133 billion, Treasury Inflation-Protected Securities (TIPS) totaled $2,087 billion, and Floating Rate Notes (FRNs) totaled $691 billion. Treasury bills, notes, bonds, TIPS, and FRNs increased $393 billion, $1,049 billion, $432 billion, $36 billion, and $75 billion, respectively, in fiscal year 2025. As of September 30, 2025 and 2024, gross debt held by the public totaled $30,278 billion and $28,307 billion, respectively (see Figure 1), an increase of $1,971 billion.

As of September 30, 2025, $29,695 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, 2025, $18,117 billion, or 61 percent, will mature within the next four years (see Figure 3). As of September 30, 2025 and 2024, total marketable debt held by the public maturing within the next 10 years totaled $24,311 billion and $22,813 billion, respectively, an increase of $1,498 billion.

Figure 3

Maturity Dates of Marketable Debt Held by the Public as of September 30, 2025



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, 2025, nonmarketable securities totaled $583 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 $326 billion, U.S. Savings Securities totaling $151 billion, SLGS securities totaling $88 billion, and Domestic Series securities totaling $12 billion. During fiscal year 2025, GAS securities increased by $21 billion, while U.S. Savings Securities, SLGS and Domestic Series securities decreased by $10 billion, $23 billion, and $3 billion, respectively. As of September 30, 2025 and 2024, total nonmarketable securities totaled $583 billion and $597 billion, respectively, a decrease of $14 billion.

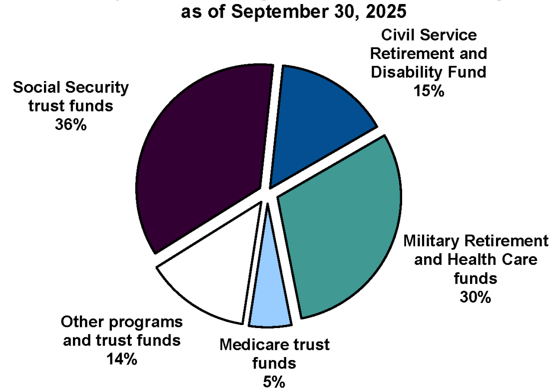
The Federal Reserve Banks (FRBs) act as fiscal agents for Treasury, as permitted by the Federal Reserve Act. As fiscal agents for Treasury, the FRBs play a significant role in the processing of marketable book-entry securities and paper U.S. savings bonds. For marketable book-entry securities, select 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 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 242 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[3]. As of September 30, 2025, such funds accounted for $6,349 billion, or 86 percent, of the $7,356 billion intragovernmental debt holdings balance (see Figure 4). As of September 30, 2025 and 2024, gross intragovernmental debt holdings totaled $7,356 billion and $7,153 billion, respectively (see Figure 1), an increase of $203 billion. This increase is primarily the result of (1) an increase in the Military Retirement and Health Care funds of $238 billion, (2) an increase in CSRDF of $34 billion, and (3) an increase in the Deposit Insurance Fund of $32 billion, offset by (4) a decrease in the Social Security trust funds of $144 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, 2025**



[3] The Medicare trust funds consist of the Federal Hospital Insurance Trust Fund and the Federal Supplementary Medical Insurance Trust Fund.

Significant Events in Fiscal Year 2025

Delay in Raising the Statutory Debt Limit

Due to a delay in raising the statutory debt limit, from January 21, 2025, through July 4, 2025, Treasury departed from its normal debt management procedures and invoked legal authorities to avoid exceeding the debt limit. Extraordinary measures taken by Treasury to ensure the debt limit was not exceeded included (1) suspending new issuances of Treasury securities to the G Fund, the CSRDF, and the Postal Benefits Fund, (2) redeeming early a certain amount of Treasury securities held by the CSRDF and Postal Benefit Fund, and (3) issuing cash management bills to manage short-term financing needs.

On June 3, 2023, Congress enacted the Public Law 118-5, which temporarily suspended the debt limit through January 1, 2025. On January 21, 2025, a delay in raising the debt limit commenced at which time Treasury departed from normal debt management operations and undertook extraordinary measures to avoid exceeding the statutory debt limit. On July 4, 2025, Congress enacted the Public Law 119-21 which raised the debt limit from $36.1 trillion to $41.1 trillion. On Monday, July 7, 2025, the first business day after the debt limit was increased, Treasury discontinued the use of extraordinary measures and resumed normal debt management operations. On this date, Treasury restored uninvested principal totaling $359.2 billion, of which $185.5 billion was restored to the G Fund, $172.1 billion was restored to the CSRDF, and $1.6 billion was restored to the Postal Benefits Fund. Treasury restored foregone interest totaling $4.4 billion to the G Fund on July 8, 2025. As of September 30, 2025, $634 million and $3 million in interest was accrued for the CSRDF and the Postal Benefits Fund, respectively. Interest for these funds was fully restored on the December 31, 2025 semi-annual interest payment date.

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 fiscal year 2000 through fiscal year 2002. Treasury conducted small-value buybacks every year from fiscal year 2015 through fiscal year 2024 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. For fiscal year 2025, regular buybacks continued supporting both liquidity and cash management. During fiscal year 2025, a total of 64 buybacks were conducted involving the redemption of $185 billion marketable securities at a total price of $172 billion. Treasury securities bought back during fiscal year 2025 consisted of Treasury notes, bonds, and TIPS, with maturity dates ranging from 2025 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 (FOMC) 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. On March 19, 2025, the Federal Open Market Committee announced, beginning in April, the committee will slow the pace of decline of its securities holdings by reducing the monthly redemption cap on Treasury securities from $25 billion to $5 billion. As of September 30, 2025, and September 30, 2024, Treasury securities owned by FRB's SOMA were $4,196 billion and $4,364 billion, respectively. As discussed in Note 2, the SOMA holdings include Treasury securities used in overnight reverse repurchase transactions and amounts lent to dealers and not collateralized by other Treasury securities.

In December 2025, the FOMC directed the Open Market Trading Desk (The Desk) to increase SOMA securities holdings to maintain an ample level of reserves. The Desk conducted secondary-market purchases of Treasury bills and reinvested principal payments from agency securities into Treasury bills. These actions were undertaken to support reserve management and maintain stability in Federal Reserve liabilities.

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 $5,659 billion as of September 30, 2000, to $37,634 billion as of September 30, 2025.

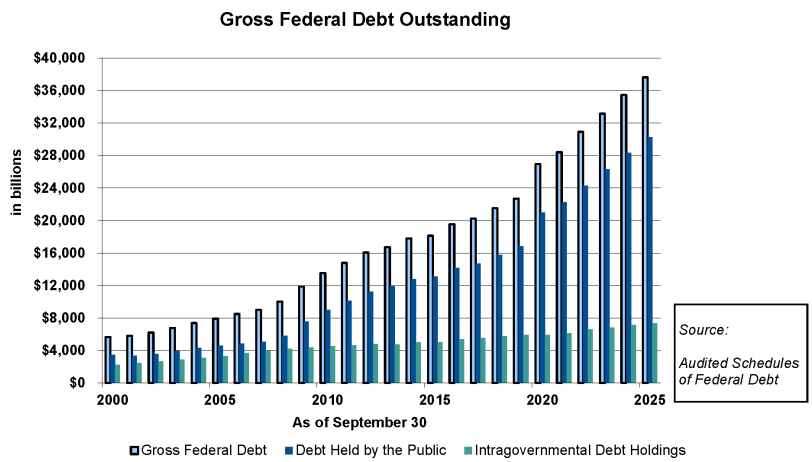
From September 30, 2000, to September 30, 2015, federal debt held by the public grew from $3,439 billion to $13,124 billion, an increase of $9,685 billion over a 15-year period. In the same 15-year period, Intragovernmental debt holdings increased from $2,220 billion to $5,014 billion, an increase of $2,794 billion. From September 30, 2000, to September 30, 2015, gross federal debt outstanding grew from $5,659 billion to $18,138 billion, an increase of $12,479 billion.

From September 30, 2015, to September 30, 2020, federal debt held by the public increased from $13,124 billion to $21,019 billion, an increase of $7,895 billion over a 5-year period. In the same 5-year period, Intragovernmental debt holdings increased from $5,014 billion to $5,919 billion, an increase of $905 billion. From September 30, 2015, to September 30, 2020, gross federal debt outstanding grew from $18,138 billion to $26,938 billion, an increase of $8,800 billion, or 49 percent.

From September 30, 2020, to September 30, 2025, federal debt held by the public increased from $21,019 billion to $30,278 billion, an increase of $9,259 billion over a 5-year period. In the same 5-year period, Intragovernmental debt holdings increased from $5,919 billion to $7,356 billion, an increase of $1,437 billion. From September 30, 2020, to September 30, 2025, gross federal debt outstanding grew from $26,938 billion to $37,634 billion, an increase of $10,696 billion, or 40 percent.

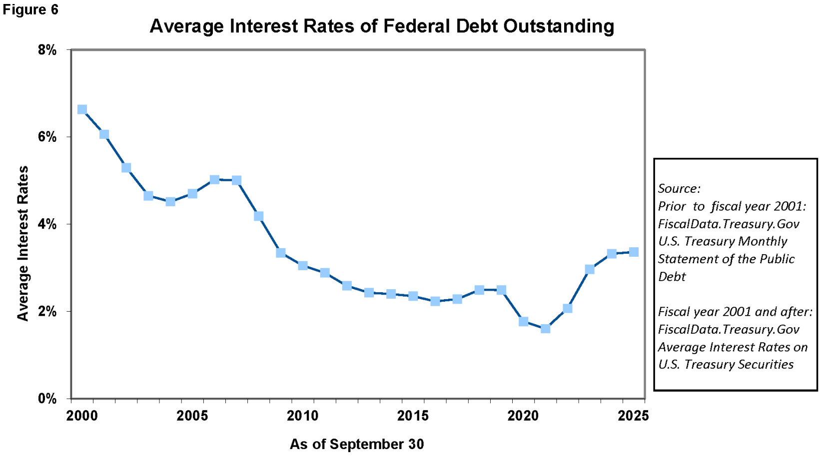
Historical Perspective, cont.

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, 2025 and 2024
(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, 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)**
Increases						
Borrowings from the Public	30,460,954		(282,487)			
Net Increase in Intragovernmental Debt Holdings				202,846		(35,574)
Accrued Interest (Note 4)		707,182			228,399	
Total Increases	**30,460,954**	**707,182**	**(282,487)**	**202,846**	**228,399**	**(35,574)**
Decreases						
Repayments of Debt Held by the Public	28,490,500					
Interest Paid		681,487			225,962	
Net Amortization (Note 4)			(279,890)			(8,610)
Total Decreases	**28,490,500**	**681,487**	**(279,890)**	**0**	**225,962**	**(8,610)**
Balance as of September 30, 2025	**$30,277,766**	**$159,693**	**($125,629)**	**$7,355,694**	**$42,280**	**($49,557)**

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, 2025 and 2024

(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 2025 and fiscal year 2024 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.

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. This daily adjustment is an interest expense for federal debt managed by Fiscal Service.

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

For the Fiscal Years Ended September 30, 2025 and 2024

(Dollars in Millions)

Note 2. Federal Debt Held by the Public

As of September 30, 2025 and 2024, Federal Debt Held by the Public consisted of the following:

	2025		2024	
	Amount	Average Interest Rates	Amount	Average Interest Rates
Marketable:				
Treasury Bills	$6,396,631	4.2%	$6,004,141	5.2 %
Treasury Notes	15,387,391	3.1%	14,338,035	2.7 %
Treasury Bonds	5,133,118	3.3%	4,701,363	3.2 %
TIPS	2,087,362	0.9%	2,051,110	0.7 %
Floating Rate Notes	690,500	4.0%	615,530	4.7 %
Total Marketable	$ 29,695,002		$27,710,179	
Nonmarketable	$ 582,764	3.8%	$597,133	3.7 %
Total Federal Debt Held by the Public	$30,277,766		$28,307,312	

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, 2025, and 2024. 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, 2025, and 2024. 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, 2025, and 2024. The TIPS Federal Debt Held by the Public inflation-adjusted principal balance includes inflation of $377,435 million and $386,789 million as of September 30, 2025, and 2024, 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, 2025, and 2024, 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, 2025 and 2024

(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, 2025, Treasury securities owned by the FRB's SOMA totaled $4,196,346 million, which (1) includes $561,274 million in Treasury securities used in overnight reverse repurchase transactions and (2) excludes a net of $3,213 million held by the FRB as collateral for securities lending activities. As of September 30, 2024, Treasury securities owned by the FRB's SOMA totaled $4,364,357 million, which (1) includes $735,096 million in Treasury securities used in overnight reverse repurchase transactions and (2) excludes a net of $1,957 million held by the FRB as collateral for securities lending activities. For fiscal years ended September 30, 2025, and 2024, interest expense related to Treasury securities owned by the FRB's SOMA was $103,000 million and $102,456 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, 2025, and 2024. Nonmarketable securities are issued with a term of on demand out to 40 years.

As of September 30, 2025 and 2024, nonmarketable securities consisted of the following:

	2025	2024
Domestic Series	$12,299	$15,136
State and Local Government Series	87,956	110,928
United States Savings Securities	150,989	161,139
Government Account Series	326,397	305,312
Other	5,123	4,618
Total Nonmarketable	$582,764	$597,133

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, 2025, and 2024, the GAS securities held by the G Fund were $321,231 million and $300,008 million, respectively.

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

For the Fiscal Years Ended September 30, 2025 and 2024

(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 2025 and fiscal year 2024 is included in the Borrowings from the Public amount reported on the Schedules of Federal Debt.

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

For the Fiscal Years Ended September 30, 2025 and 2024

(Dollars in Millions)

Note 3. Intragovernmental Debt Holdings

As of September 30, 2025 and 2024, Intragovernmental Debt Holdings are owed to the following:

		2025	2024
SSA:	Federal Old-Age and Survivors Insurance Trust Fund	$2,400,808	$2,582,205
DOD:	Military Retirement Fund	1,806,919	1,599,141
OPM:	Civil Service Retirement and Disability Fund	1,102,224	1,067,834
DOD:	Medicare-Eligible Retiree Health Care Fund	416,973	386,778
HHS:	Federal Hospital Insurance Trust Fund	252,906	234,960
SSA:	Federal Disability Insurance Trust Fund	215,352	177,775
HUD:	FHA, Mutual Mortgage Insurance Capital Reserve Account	185,047	155,941
HHS:	Federal Supplementary Medical Insurance Trust Fund	153,844	164,412
FDIC:	Deposit Insurance Fund	120,552	88,950
DOL:	Unemployment Trust Fund	89,394	88,030
DOE:	Nuclear Waste Disposal Fund	79,069	69,248
DOL:	Pension Benefit Guaranty Corporation Fund	73,525	63,356
DOT:	Highway Trust Fund	68,941	96,549
OPM:	Employees Life Insurance Fund	57,976	55,035
HUD:	Guarantees of Mortgage-Backed Securities Capital Reserve Account	29,392	23,062
NCUA:	National Credit Union Share Insurance Fund	24,156	22,782
OPM:	Postal Service Retiree Health Benefits Fund	24,067	28,197
OPM:	Employees Health Benefits Fund	23,337	23,765
DOS:	Foreign Service Retirement and Disability Fund	22,277	21,581
Treasury:	Exchange Stabilization Fund	21,864	15,377
DOT:	Airport and Airway Trust Fund	18,571	16,677
DOI:	Abandoned Mine Reclamation Fund	14,165	14,554
DOL:	Pension Benefit Guaranty Corporation Deposit Fund	12,911	11,093
EPA:	Hazardous Substance Superfund	11,473	11,534
USPS:	Postal Service Fund	11,047	15,734
DHS:	Oil Spill Liability Trust Fund	10,571	9,994
ACE:	Harbor Maintenance Trust Fund	10,136	10,083
Other Programs and Funds		98,197	98,201
Total Intragovernmental Debt Holdings		$7,355,694	$7,152,848

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); Federal Deposit Insurance Corporation (FDIC); Department of Labor (DOL); Department of Energy (DOE); Department of Transportation (DOT); National Credit Union Administration (NCUA); Department of State (DOS); Department of the Treasury (Treasury); Department of the Interior (DOI); Environmental Protection Agency (EPA); United States Postal Service (USPS); Department of Homeland Security (DHS); 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, 2025, and 2024, the inflation-adjusted principal balance of Intragovernmental Debt Holdings included inflation of $434,192 million and $429,991 million, respectively. The average interest rates on Intragovernmental Debt Holdings, excluding TIPS and FRNs, for fiscal years 2025 and 2024 were 3.1 percent and 3.0 percent, respectively. The average interest rates on TIPS inflation-adjusted principal for fiscal years 2025 and 2024 were 1.2 and 1.1 percent, respectively. The average interest rates on FRNs for fiscal years 2025 and 2024 were 4.0 percent and 4.4 percent, respectively. The average interest rate represents the original issue weighted effective yield on securities outstanding as of September 30, 2025, and 2024. The components that determine the average interest rate for GAS TIPS and FRNs are the same components discussed in Note 2. Federal 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, 2025 and 2024

(Dollars in Millions)

Note 4. Interest Expense

Interest expense on federal debt for fiscal years 2025 and 2024 consisted of the following:

	2025	2024
Federal Debt Held by the Public		
Accrued Interest	$707,182	$595,193
Net Amortization of (Premiums) and Discounts	279,890	313,916
Total Interest Expense on Federal Debt Held by the Public	987,072	909,109
Intragovernmental Debt Holdings		
Accrued Interest	228,399	216,789
Net Amortization of (Premiums) and Discounts	8,610	567
Total Interest Expense on Intragovernmental Debt Holdings	237,009	217,356
Total Interest Expense on Federal Debt Managed by Fiscal Service	$1,224,081	$1,126,465

Accrued interest on Federal Debt Held by the Public includes inflation adjustments of $54,273 million and $57,019 million for fiscal years 2025 and 2024, respectively. Accrued interest on Intragovernmental Debt Holdings includes inflation adjustments of $44,204 million and $43,050 million for fiscal years 2025 and 2024, 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 $373 million and $6,398 million in fiscal years 2025 and 2024, respectively.

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

For the Fiscal Years Ended September 30, 2025 and 2024

(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 fiscal year 2000 and continued through fiscal year 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 conducted small-value buybacks periodically to ensure operational readiness through April 2024. In addition, in fiscal year 2024, Treasury began regular buyback operations that continued in fiscal year 2025. During both fiscal years, the regular buyback operations included liquidity support and cash management buybacks.

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 2025, there were a total of 64 regular buyback operations and in fiscal year 2024 there were three operational readiness buyback operations and 21 regular buyback operations. Those operations resulted in the following:

	2025	2024
Total Amount Paid for Debt Buybacks, excluding accrued interest	$171,558	$41,938
Principal Amount of Debt Buybacks	185,260	45,442
(Discount)/Premium on Debt Buybacks	($13,702)	($3,504)
Write off of Net Unamortized (Discount)/Premium on Debt Buybacks	129	47
(Gain)/Loss on Debt Buybacks	($13,573)	($3,457)

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

January 12, 2026

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, 2025, 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, 2025, Fiscal Service's internal control over financial reporting relevant to the Schedule of Federal Debt was effective.

Tim Gribben

Timothy E. Gribben
Commissioner

Erica Gaddy

Erica D. Gaddy
Assistant Commissioner,
Fiscal Accounting

Daniel Berger

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

Nathaniel Reboja

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

Appendix II: Comments from the Bureau of the Fiscal Service

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

COMMISSIONER

January 13, 2026

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, 2025 and 2024. We agree with the conclusions of your audit report.

We would like to thank you and your staff for the thorough audit of these schedules as we observe the twenty-ninth year of our professional relationship. We appreciate your timely review throughout this audit as we faced the additional challenges of a Debt Issuance Suspension Period (DISP), which began in January and continued until the Statutory Debt Limit was raised in July, as well as the government shutdown, which created a compressed review schedule. The knowledge and experience displayed by your audit team, related to our accounting operations, provided expertise and efficiency in the audit process as we encountered unique reporting requirements during these circumstances. We look forward to sustaining a productive and successful relationship with your staff.

Sincerely,

Timothy E. Gribben
Commissioner

Appendix III: GAO Contact and Staff Acknowledgments

GAO Contact

Cheryl E. Clark, clarkce@gao.gov

Staff Acknowledgments

In addition to the contact named above, the following staff made key contributions to this report: Brian S. Harechmak (Assistant Director), Estelle Tsay-Huang (Assistant Director), Debra Hoffman (Analyst in Charge), Julia Burch, Mark Cheung, Hayden Distefano, Stephen Duncan, Crystal Gomez, Tyrone Hutchins, Tech Le, Andrew Long, Dragan Matic, Bradford Neumann, Liliam Pollock, Judy Tsan, and Yiming (Ivy) Wu. Additional assistance was provided by Carl Barden, Scott Borre, Giovanna Cruz, Wayne Emilien, Alexander Gromadzki, Andrew Kurtzman, Kevin Metcalfe, Matthew Naven, Sam Portnow, and Chaojie (Jay) Wang.

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