

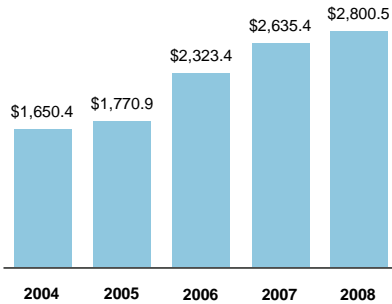


William Ellery
John Sharp

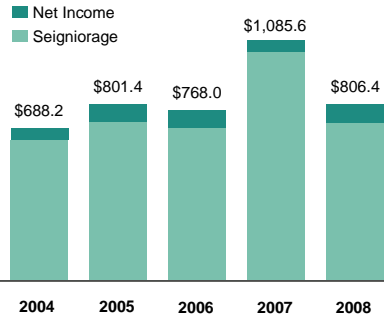
The United States Mint 2008 Annual Report

Financial Highlights

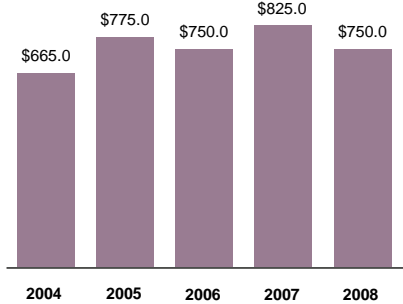
Total Dollar Value of Sales
(Dollars in millions)



Total Seigniorage and Net Income
before Protection Cost (Dollars in millions)



Transfers to the Treasury General Fund
(Dollars in millions)



(Dollars in millions)	2008	2007	2006	2005	2004	% Change 2007 to 2008
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Value of United States Mint Sales

Circulating	\$ 1,294.5	\$ 1,727.8	\$ 1,271.9	\$ 1,144.8	\$ 993.5	(25.1%)
Numismatic Sale of Circulating Coins	\$ 29.6	\$ 36.1	\$ 24.4	\$ 37.9	\$ 62.1	(18.0%)
Numismatic Program	\$ 527.6	\$ 515.4	\$ 490.5	\$ 317.5	\$ 279.1	2.4%
Bullion Program	\$ 948.8	\$ 356.1	\$ 536.6	\$ 270.7	\$ 315.7	166.4%

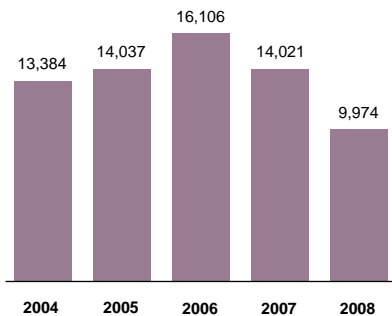
Gross Cost

Circulating	\$ 588.3	\$ 722.6	\$ 603.4	\$ 445.4	\$ 395.8	(18.6%)
Numismatic Sale of Circulating Coins	\$ 7.1	\$ 9.0	\$ 10.5	\$ 14.6	\$ 15.7	(21.1%)
Numismatic Program	\$ 467.7	\$ 466.6	\$ 417.2	\$ 244.3	\$ 237.6	0.2%
Bullion Program	\$ 931.0	\$ 351.6	\$ 524.3	\$ 265.2	\$ 313.1	164.8%

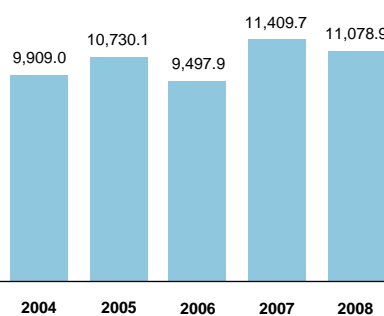
Seigniorage^(a) and Program Net Income^(b)

Circulating Seigniorage	\$ 706.2	\$ 1,005.2	\$ 668.5	\$ 699.4	\$ 597.7	(29.7%)
Numismatic Seigniorage	\$ 22.5	\$ 27.1	\$ 13.9	\$ 23.3	\$ 46.4	(17.0%)
Numismatic Program Net Income	\$ 59.9	\$ 48.8	\$ 73.3	\$ 73.2	\$ 41.5	22.7%
Bullion Program Net Income	\$ 17.8	\$ 4.5	\$ 12.3	\$ 5.5	\$ 2.6	295.6%

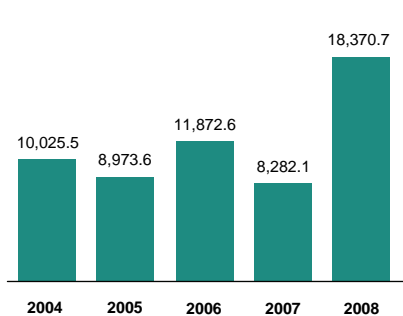
Shipments to the Federal Reserve Banks
(Coins in millions)



Numismatic Sales
(Net units shipped in thousands)



Bullion Sales
(Ounces of bullion sold in thousands)



(a) Seigniorage is the face value of circulating coins sold to the Federal Reserve Banks (FRB) or the public less the cost of production.

(b) Net Income is the sales revenue of numismatic or bullion coin products, less the total cost of production.

The United States Mint 2008 Annual Report

Table of Contents

Director’s Letter.....	3
Organizational Profile.....	11
Our Goals	
Exclusive Brand Identity.....	13
Effective Coin and Medal Portfolio.....	15
Excellence in Coin Design	18
Operational Efficiency and Highest Quality Standards.....	20
Optimal Workforce and Workplace Culture.....	22
Current and Future Challenges.....	24
Message from the Chief Financial Officer.....	26
Management’s Discussion and Analysis	
Operating Results by Segment	
Circulating.....	27
Numismatic.....	31
Bullion.....	34
Transfer to the Treasury General Fund.....	37
Performance Goals, Objectives and Results.....	38
Analysis of Systems, Controls and Legal Compliance.....	40
Limitations of Financial Statements.....	42
Independent Auditors’ Report.....	43
Financial Statements.....	45
Notes to the Financial Statements.....	49
Required Supplementary Information	
Heritage Assets.....	60
Independent Auditors’ Report on Internal Controls.....	61
Exhibit I - Significant Deficiencies.....	63
Exhibit II - Status of Prior Year Material Weakness.....	65
Exhibit III - United States Mint’s Response to Auditor’s Report.....	66
Independent Auditors’ Report on Compliance and Other Matters.....	67



Director's Letter:

To the American People,
Members of the United States
Congress, the United States
Department of the Treasury,
Our Customers, and Our
Employees

The United States Mint is
accountable to you, our

constituencies: the American people, because you are our ultimate shareholders and product users; the United States Congress, because you authorize and oversee our operations and programs; the United States Department of the Treasury, because we are part of the Treasury family of agencies and bureaus; our customers, including the Federal Reserve Banks (FRB) (buyers of United States coins for circulation), retail customers (buyers of our numismatic products) and investors (buyers of our bullion products); and, our employees, because we honor your dedication and public service.

Our New Annual Report Format Welcome to our new annual report format. This year our annual report looks more like one produced by a public company. We are first and foremost an agency of the Federal Government. We comply with all statutory annual reporting requirements, but we operate very much like a business. Our annual report should reflect that fact. For 2008, if we were a public company, our total revenue would rank 710 among our Nation's largest corporations.

Revenue from the sale of our coins to the FRB, retail customers and authorized bullion purchasers is deposited into the United States Mint Public Enterprise Fund, a revolving fund account. Excess proceeds from circulating coins are transferred to the Treasury General Fund as a means of financing the national debt. Excess proceeds from the sale of numismatic and bullion items are transferred to the Treasury General Fund as revenue



Edmund C. Moy
United States Mint Director

available to pay for current Federal Government operations and programs.

It annoys me to read an annual report that focuses only on positive outcomes and ignores significant issues. At the United States Mint, we see our products as extensions of America's national identity. We believe our annual report must be transparent to the public, so that citizens can hold us accountable through their elected representatives. Our new annual report format is a comprehensive discussion of our agency's activities, including our operating results, challenges and risks, and strategic priorities. We will do our best to honestly assess ourselves, take our lumps for the times when we fall short of expectations, and stand tall when our results do our country proud.

I'll begin with a quick summary of our coin programs and financial results and then explain the major strategic realignment we have embarked upon. I will conclude with a description of the results you can expect from the United States Mint in fiscal year (FY) 2009.

Our Coin Programs We had a full plate of Congressionally mandated programs this year. We designed, minted and issued a record number of new coins in FY 2008.

Presidential \$1 Coin We minted and issued James Madison, James Monroe, John Quincy Adams and Andrew Jackson Presidential \$1 Coins. We also designed and readied for production the Martin Van Buren, William Henry Harrison, John Tyler, James K. Polk, and Zachary Taylor Presidential \$1 Coins. Beginning with President Harrison, our designs will feature our national motto, "In God We Trust," on the obverse instead of being incused on the edge.

50 State Quarters[®], District of Columbia and Territorial Quarters We minted and issued the Utah, Oklahoma, New Mexico, Arizona, and Alaska commemorative quarters. We issued the final coin of the 50 State Quarters[®] Program, honoring Hawaii, in November 2008. In FY 2008, we also designed quarters commemorating the District of Columbia, the Commonwealth of Puerto Rico, Guam, American Samoa, the United States Virgin Islands, and the Commonwealth of the Northern Mariana Islands.

First Spouse Gold Bullion Coin We minted and issued the Dolley Madison, Elizabeth Monroe, Louisa Adams, and Jackson's Liberty First Spouse Gold Bullion Coins. We also designed Martin Van Buren's Liberty, Anna Harrison, Letitia Tyler, Julia Tyler, Sarah Polk, and Margaret Taylor's First Spouse Gold Bullion Coins.

Native American \$1 Coin A recently passed law required us to design and issue Native American \$1 Coins. During FY 2008, we designed the first of these new coins, featuring Sacagawea on the obverse and a new reverse design honoring Native American contributions to the Nation's agricultural heritage. The new coins will be issued in January 2009.

Lincoln One-Cent Coin We designed and unveiled the four reverse designs for the 2009 Lincoln Bicentennial One-Cent Coin Program. Each reverse design represents a different aspect, or theme, of the life of President Lincoln.

Commemorative Coins FY 2008 saw the close of the 2007 Little Rock Central High School Desegregation 50th Anniversary Commemorative Coin Program and the 2007 Jamestown 400th Anniversary Commemorative Coin Program. We also executed the 2008 American Bald Eagle Recovery and National Emblem Commemorative Coin Program and created designs for the 2009 Louis Braille Bicentennial-Braille Literacy Commemorative Coin Program and the Abraham Lincoln Commemorative Coin Program.

Commemorative Medals Congress passed and the President approved two Congressional Gold Medals

one for Tenzin Gyatso, the Fourteenth Dalai Lama, and another for pioneering heart surgeon Dr. Michael DeBakey—which we were honored to design, prepare, and strike.

In the midst of all the work mandated by Federal law, we did complete some unfinished business: the recreation of Augustus Saint-Gaudens and President Theodore Roosevelt's rarest and arguably best version of the Double Eagle. Overcoming a century's inability to create a high relief coin for mass production, our 2009 Ultra High Relief Double Eagle Gold Coin is the highest expression of the coin maker's art.

We had a lot of work on our plate. The 126 coin designs in one year were the largest number ever in our history. But we rose to the task, completed them on time, and fulfilled every one of our mandates to mint new coins and strike new medals.

But all was not rosy. We sell most of our numismatic coins through our website and that website went down for six days. We did not manage this downtime well and received a lot of deservedly angry calls from our customers. We also did not make the connection that a slowing economy may dramatically increase demand for our bullion products and relied upon our strategy of "just in time" inventories. We should have learned that, historically, gold and other precious metals are periodically subject to unanticipated market volatility. However, instead of maintaining an inventory that would have prepared us to meet the next surge in demand, we were reactive. Now we are competing with the rest of the world mints for a finite supply of investment quality planchets from a limited number of suppliers. As a result, we did not live up to our statutory mandate to mint and issue gold and silver bullion coins in quantities sufficient to meet public demand. Additionally, our precious metal numismatic product pricing formulas are not as transparent as they should be, and the process for re-pricing our products is cumbersome. As a consequence, when the price of gold dropped, we had overpriced coins that did not sell. When the price of gold rose dramatically, we had to stop sales because our products were underpriced.

We worked hard and successfully completed many new programs. However, we also made some mistakes that we will learn from.

Our Results FY 2008 was a year of mixed results. By law and budget doctrine, success is measured differently for each of our business lines—circulating coins, bullion coins, and numismatic products. In aggregate, while total revenue exceeded last year's

record, earnings fell 25.7 percent to \$806 million. After retaining funds to finance current operating requirements, we returned \$750 million to the Treasury General Fund. Here's a quick outline of what happened in our three lines of business:

Circulating Coins The slowing economy in FY 2008 was the main reason that orders for circulating coins dropped dramatically from the level of recent years. When the economy slows, there are fewer cash transactions. Businesses demand fewer coins from their banks, which in turn order fewer coins from

the FRB. The FRB then orders fewer coins from the United States Mint. The number of circulating coins we shipped to the FRB in FY 2008 dropped from about 14 billion to under 10 billion, reducing our circulating revenue from \$1.7 billion to \$1.3 billion.

We sell our coins at face value to the FRB and because, on average, we make our coins at a cost of 45 percent of face value, our seigniorage (the difference between our costs and face value) is \$0.55 per dollar issued. When the number of circulating coins we ship to the FRB decreases significantly, it has a negative effect on the total seigniorage that we transfer to the Treasury. Our circulating coin seigniorage this year was \$706 million, down from \$1,005 million in FY 2007. While we shipped 4.4 billion fewer coins than the average level of the past four fiscal years, quarter and \$1 coins, which generate a higher return per dollar issued, made up a larger portion of shipments. Consequently, revenue and seigniorage did not fall as significantly as shipments and remained consistent with fiscal years prior to FY 2007.

Two additional challenges affected our circulating coin operations. First, the dramatic increase in base metal prices worldwide has reduced our seigniorage per dollar issued in recent years. In FY 2008, however, base metal prices began to decline from former peaks. Unfortunately, lower volumes means that we must allocate our fixed costs over fewer units, offsetting the benefit of lower metal prices.

Metal costs did increase significantly for \$1 coins from last year. FY 2008 was the first year we had to purchase metal at prevailing market prices for all \$1 coin

FY 2008 was a year of mixed results. In aggregate, while total revenue exceeded last year's record, earnings fell 25.7 percent to \$806 million. After retaining funds to finance FY 2009 operating expenses, we returned \$750 million to the Treasury General Fund.

production. Both lower volumes and higher dollar coin production costs negatively affect our seigniorage per dollar issued. An upsurge in metal market prices in the future will erode seigniorage and further reduce seigniorage per dollar issued.

The composition of United States coins is specified by law, and any change in the composition of our coins must be legislated by Congress and approved by the President. The House of Representatives passed legislation and the Senate is considering several proposed bills to give the Secretary of the Treasury

authority to change the composition of United States coinage. While there are many ways to address this issue, each with its merits, we are confident that both Congress and the United States Mint have one outcome in mind—to save taxpayers an average of approximately \$60 million a year lost by using expensive base metals in our coins. We are hopeful that we will have a solution in this 110th Congress, or earlier next year in the new Congress.

The other challenge was a one-time inventory adjustment of coins by the FRB within its various distribution terminals. The FRB believed that, given the slowing economy, it had too many coins on hand. We are working more collaboratively with the FRB to determine appropriate inventory levels, and will start a strategic stockpile of coins in FY 2009. This will provide a reserve inventory of circulating coins to issue, should a surge in the economy require more coins than we can currently produce.

Numismatic Coins Retail sales of high quality versions of our circulating coins and commemorative coins remained strong in spite of the slowing economy. We came close to matching our FY 2007 record unit sales with revenue totaling \$557 million in FY 2008. Our mandate for numismatic coin sales is not to maximize profit but to recover costs and keep prices as low as practicable so that Americans can afford them. To avoid having the taxpayers subsidize the cost of numismatic products, we manage to a 15 percent margin as a hedge against unforeseen risk. In FY 2008, our numismatic net income was about \$82 million. In the coming year, we will be exploring ways to keep the price of numismatic

products as close to actual cost as practicable, while managing to a reduced margin or employing different means as a hedge against risk.

Bullion Coins One result of a slowing economy is increasing demand for precious metal products. We had record sales of silver bullion coins and a significant increase in gold bullion coin sales from last year. Total revenue neared \$949 million, more than doubling last year's bullion sales revenue. By law, the purpose of the bullion coin program is to make precious metal coins available at minimal cost to investors, so we manage to a two-percent margin.

While we met demand for platinum coins, we fell short of fulfilling our statutory commitment of meeting investor demand for gold and silver bullion coins. Like all the other mints around the world, we compete for a limited supply of investment-grade gold and silver planchets. In FY 2008, we produced more ounces of precious metal bullion coins than any prior year, a feat that we are proud of. However, we could not procure enough planchets to meet demand. We were forced to temporarily suspend sales and established allocation programs to equitably distribute available inventory to authorized purchasers.

Our Strategic Realignment FY 2007 was the final year of a previous strategic plan. For FY 2008, we began implementation of a new five-year strategic plan—a collaborative effort between management and union leadership. Among our expected outcomes are coins of greater artistry and historical significance, error-free coins, additional retail customers, increased efficiency, and status as one of the best places to work in the Federal Government. Our plan answers five questions:

Where do we want to be? We answered this question by defining our vision, mission, values, and priorities.

Vision is a statement of aspiration. Our vision is to embody the American spirit through the creation of our Nation's coins and medals. Every coin and medal that we produce should say something about our country's greatness. We agree with President Teddy Roosevelt, who believed coins are an extension of a country's national identity and should project the country's values, principles, and ideals to the rest of the world.

Mission is a statement of who we are: The men and women of the United States Mint serve the Nation by exclusively and efficiently creating the highest quality, most beautiful and inspiring coins and medals that enable commerce; reflect American values; advance artistic excellence; educate the public by commemorating people, places, and events; and fulfill retail demand for coins.

Values define how we will behave while doing our work. Our values are accountability, leadership, trust/respect/integrity, communication, continuous improvement, diversity, ethics, excellence, responsiveness, innovation, partnership/teamwork, and openness to change. It is a long list because, as labor and management collaboratively worked to list the values we wanted to live by, it became clear that there was a deep yearning for a higher code of conduct.

Our goals are our priorities for the next five years:

- Establish and reinforce the exclusive brand identity of the United States Mint
- Create and execute the most effective coin and medal portfolio strategy
- Achieve greater excellence in coin and medal design
- Increase operational efficiency while meeting the highest quality standards
- Develop an optimal workforce and workplace culture

How we will know when we get there? To gauge our progress toward our goals, management and labor

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formulated fourteen measurements (metrics) of progress. Reducing hundreds of possible metrics to fourteen was difficult, but we narrowed it to those we believe are the best performance indicators to keep us focused on the actions needed to achieve our goals.

The key metrics or performance indicators were incorporated into the appropriate employees' performance plans, and budgets and financial incentives were aligned to maximize success. For the first time, we have monthly meetings with management and labor to analyze our progress, and a monthly report card is distributed to all employees so they can track our progress.

We gave ourselves a report card grade of C for FY 2008. Our workers are A players, so how can our result be a C? The grade reflects our current performance against the organization we want to become. We are working hard but not smart. We want to inject new behaviors, discipline and versatility to achieve success by intent and not accident. Our FY 2008 performance in areas of customer satisfaction, employee safety and employee satisfaction is not on par with the world class agency we are striving to become. While we have fulfilled our mission and have various individual successes, as a whole, the United States Mint should excel beyond minimal requirements. From the outside, the United States Mint appears to be delivering an average performance, and it is, but we aspire to more. We aspire to excellence.

Where are we now? We did an honest assessment of our strengths and weaknesses in the seven areas outlined in the Baldrige Quality Award Criteria for High Performance (criteria used for judging within a highly-respected award system for industry workplace performance). We concluded that the United States Mint has much strength and several weaknesses. Our strengths include pride in our organization, employees, history and products. We have adequate resources, clear direction, and good working conditions. Weaknesses include inadequate accountability, a risk-averse culture and a lack of coordination and trust.

While we have fulfilled our mission and have various individual successes, as a whole, the United States Mint should excel beyond minimal requirements. From the outside, the United States Mint appears to be delivering an average performance, and it is, but we aspire to more. We aspire to excellence.

How do we get there? There is an obvious gap between our current situation—where we are now—and our aspirations—where we want to go. We know that most strategic realignments fail in their execution.

How will we prevent failure? Part of the answer lies in process improvement. Our five-year plan is being broken down into year-by-year action steps. Each United States Mint department will develop a 12-month action plan aligned with the overall strategic plan. Departmental actions will be assigned and incorporated into individual employees' performance plans.

Another part of the solution is structure. We will ensure that our organizational structure meets the needs of our mission and attains the results we are seeking. Talent wins games; teamwork wins championships. We will go beyond the stovepipes of the organizational chart by using cross-functional task forces led by agency officials who have the authority to make decisions and will be held accountable for results.

The last and perhaps most difficult part is coaching and mentoring our employees. We have not done this consistently before and need to learn how to do it before we can achieve our objectives. Coaching and mentoring means giving employees the skills, feedback, individual attention, and inspiration they need to perform to expectations and continuously improve.

What will or might change in our future environment? We examined our current environment to project conditions over the next five years. We analyzed demographic trends; numismatic product competition; technology; current and projected economic conditions; our political and regulatory environment; and our suppliers, customers and retail environment.

One critical finding was that we are not becoming a cashless society, as we previously believed. Between 2001 and 2005, consumer use of cash was consistent at 33 percent of all transactions. Credit card transactions grew at the expense of checking accounts. Debit and gift card growth hurt credit cards and checking. Think

about your own experience and those of your parents and grandparents. For big-ticket items like appliances, clothing, or even an expensive dinner out, the Depression-era generation used cash, the post World-War II generation used checks, and baby boomers used credit cards (and now debit cards). To buy a soda or gum at a convenience store, on the other hand, most people continue to pay cash. Our forecast is that demand for coins will stay the same or even increase slightly for the foreseeable future.

Another notable trend is the world-wide movement away from lower denomination coins to higher denomination coins. Most countries, like the United States, are seeking cost-effective ways to produce the lowest denomination coins by changing their size or metal content. Some countries have eliminated their lowest denomination coins altogether. Many countries have developed higher denomination coins, some the equivalent of \$5.

We aim to realize potential benefits for the American people by developing more accurate predictions of demand and inventory-level adjustments to ensure the right number of coins are in circulation. Lowering the manufacturing costs of all of our coins, especially those with negative seigniorage like the penny and nickel, is another beneficial avenue we are pursuing. We will also double our efforts to increase the success of the \$1 coin through market development and aggressive, but cost-effective, programs aimed at overcoming barriers to the circulation of these coins.

Finally, demographic trends tell us that our typical retail customer base is shrinking. Our core numismatic customer tends to be an older white male in the upper middle class, college educated, and often retired. Our mission is to reach as many Americans as possible—a cross section of America. That means expanding the potential of numismatic product gift-giving among women. It means exploring ethnic markets like our recent outreach pilot to Asian Americans, a group with a special affinity for gifts of 24-karat gold.

The success of the 50 State Quarters[®] Program has created 147 million casual collectors. This program has educated a generation of children about geography and state history. The fact that almost half of our citizens show interest in United States coinage means there is an

opportunity for us to extend our appeal to Americans of all ages and backgrounds.

The Outlook for FY 2009 I expect our financial results to improve slightly next year by increasing seigniorage per dollar issued and making our numismatic products a greater value to our customers through improved efficiency, quality, and service.

Small Improvement in Overall Financial Result If the economy does not improve until the end of 2009, as many predict, we anticipate that circulating revenue will be up only slightly and total seigniorage will see a very modest increase. We are predicting a slight improvement in our financial results based primarily on higher circulation of the \$1 coin and efforts to reduce operational costs. Sales of the \$1 coin to the FRB are likely to increase from FY 2008 levels because the first of the newly designed Native American \$1 coins will go into circulation in FY 2009. We will also conclude pilot campaigns in four cities that we hope will significantly increase demand and usage of \$1 coins. These pilots will test our hypothesis that a combination of banks adequately supplied with \$1 coins, retailers educated and trained to accept and dispense \$1 coins, and consumers educated and motivated to use \$1 coins will encourage robust circulation in a specific geographic area. What we learn from these geographic pilots will help us with a larger regional or national rollout.

Base metal prices continue to fluctuate. If prices continue to climb, there may be further erosion of seigniorage per dollar issued on circulating coins. We are optimistic that Congress will pass legislation enabling the United States Mint to more aggressively address the composition and cost of our circulating coins, but implementation will take time. Should legislation pass, we predict that the first positive effects of any content change will occur in FY 2010.

Numismatic Revenues Will Increase We expect numismatic revenue to increase and improvements in

planning to result in a margin lower than 15 percent. We are counting on two initiatives to achieve this result: 1) the one-year introduction of the 24-karat 2009 Ultra High Relief Double Eagle Gold Coin, and 2) providing the products our customers buy year-round earlier in the year.

We are not becoming a cashless society, as we previously believed. Between 2001 and 2005, consumer use of cash was consistent at 33 percent of all transactions.

Bullion revenues are projected to remain high next year. To the extent that a weak economy may lead to additional precious metal sales, I expect bullion sales at the United States Mint to continue to be strong. We are currently working to expand the number of suppliers of quality gold and silver planchets.

Improved Non-financial Results You will see some improvement next year in our non-financial results. We will strive to raise our report card

grade from a C. We know we can do better. Parts of our foundation are not as strong as they need to be and require renovation, much like any house built in 1792. FY 2009 will be a rebuilding year. We will improve by closing the gap between where we are now and where we want to be.

Internal initiatives will have a constructive impact on reinforcing our foundation. These initiatives include developing a strong brand identity, creating an improved portfolio of products, creating a master start-to-finish coin production and sales schedule to give customers advance notice of products and reduce backlogs, and using state-of-the-art counters and digital vision inspection systems to improve product quality.

People are our best asset, and we have not invested in them enough lately. In FY 2009, we will institutionalize a Performance Management System, aligning our goals and metrics with employee performance plans and rewarding employees for their part in our progress. We will continue to build upon a leadership development program for all managers and supervisors. Our plans and actions will begin to reflect our values—especially accountability, teamwork, trust, and ethics—on a daily basis.

Conclusion: Business-as-usual Is Not Good Enough When I was sworn in as the 38th Director of the United States Mint on September 5, 2006, I became a steward of a government agency with a proud history uniquely intertwined with the history of the United States. On the surface, we produced good results that pleased most people, but we know there is plenty of room to improve organizational and operational efficiency and achieve better results.

Business-as-usual and average results are not enough. We can be a premier government agency whose service to the American public is characterized by excellence. We are committed to nothing less.

Business-as-usual and average results are not enough. We can be a premier government agency whose service to the American public is characterized by excellence. We are committed to nothing less.

The appointment of the United States Mint Director to a five-year term provides enough time to make a long-term positive impact. I believe that I should be accountable to you and leave this agency a much better place than I found it. I thank

you for giving me an opportunity to do so, and to serve my country at the United States Mint.

Sincerely,


Edmund C. Moy
United States Mint Director

United States Mint Executive Staff



Left to Right

Dennis O'Connor, Chief of Protection; **Jerry Horton**, Chief Information Officer; **Patricia M. Greiner**, Chief Financial Officer; **Debra Tomchek**, Associate Director Workforce Solutions; **Edmund C. Moy**, Director; **Daniel P. Shaver**, Chief Counsel; **Mike Stojavljevich**, Chief Strategy Officer; **B. B. Craig**, Associate Director Sales and Marketing; **Richard Peterson**, Associate Director Manufacturing; **Andrew D. Brunhart**, Deputy Director; **David L. Kim**, Chief of Staff



Left to Right

David M. Croft, Denver Plant Manager;
Larry Eckerman, San Francisco Plant Manager;
Ellen McCullom, West Point Plant Manager;
Marc Landry, Philadelphia Plant Manager;



The United States Mint Organizational Profile

Overview

Established in 1792, the United States Mint is the world's largest coin manufacturer. Our vision is to embody the American spirit through the creation of our Nation's coins and medals. The men and women of the United States Mint serve the Nation by exclusively and efficiently creating the highest quality, most beautiful and inspiring coins and medals that enable commerce; reflect American values; advance artistic excellence; educate the public by commemorating people, places and events; and fulfill retail demand for coins.

The United States Mint is committed to achieving efficient operations and providing value to the American people. Since FY 1996, the United States Mint has operated under the United States Mint's Public Enterprise Fund (PEF). As authorized by Public Law 104-52 (codified at 31 U.S.C. § 5136), the PEF enables the United States Mint to operate without tax dollars. We generate revenue through the sale of circulating coins to the Federal Reserve Banks (FRB), numismatic products to the public and bullion coins to authorized purchasers. Revenue in excess of all liabilities and short-term operating costs is transferred to the United States Treasury General Fund.

The United States Mint operates six facilities and employs approximately 1,900 employees across the United States. Each facility performs unique functions critical to our overall operations. All policy formulation, program management, research and development, marketing and customer service operations are performed at our Headquarters in Washington, D.C. Manufacturing facilities in Philadelphia, Pennsylvania, and Denver, Colorado, produce coins of all denominations for

circulation. Both facilities also produce dies for striking coins. All sculpting and engraving of circulating and numismatic coin and medal designs is performed in Philadelphia. Production of numismatic and bullion products is primarily performed at facilities in San Francisco, California, and West Point, New York. All four plants produce commemorative coins as authorized by laws passed by Congress and approved by the President. The United States Bullion Depository at Fort Knox, Kentucky, stores and safeguards United States gold and silver bullion reserves.

Primary Responsibilities

The United States Mint's primary responsibilities include the following:

Circulating The United States Mint is responsible for enabling commerce by minting and issuing circulating coins in amounts necessary to meet the needs of the United States. We manufacture and sell circulating coins to the FRB for distribution to the Nation's depository institutions. Commercial banks and other financial institutions then place coins into circulation to meet the demand of retailers and the public. Depository institutions can return coins to the FRB when they have more than necessary to meet demand. The United States Mint sells circulating coins to the FRB at face value. The net return, known as seigniorage, is the difference between the face value and the cost of producing circulating coinage. Seigniorage is transferred on a quarterly basis to the Treasury General Fund to help finance the national debt.

Numismatic The United States Mint prepares and distributes numismatic items, including proof and uncirculated versions of coins, proof and uncirculated

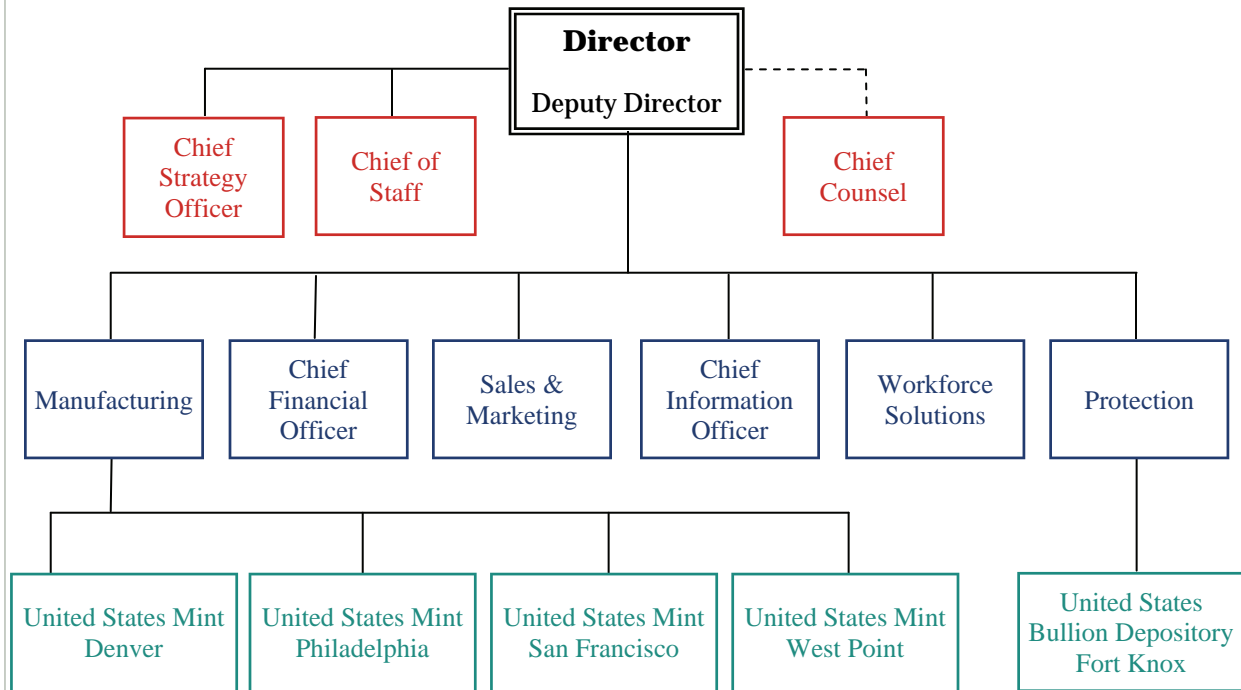
Vision:

To embody the American spirit through the creation of our nation's coins and medals.

Mission:

The men and women of the United States Mint serve the nation by exclusively and efficiently creating the highest quality, most beautiful and inspiring coins and medals that enable commerce, reflect American values, advance artistic excellence, educate the public by commemorating people, places and events, and fulfill retail demand for coins.

Organizational Structure



coin sets, other special sets, commemorative coins, and medal products. These products are manufactured and specially packaged for collectors and other members of the public who desire high-quality versions of the Nation’s coinage as gifts or mementos. Through commemorative coin programs passed by Congress and approved by the President, the United States officially honors people, places, and events. Such programs typically raise money for recipient organizations and worthy causes with evident public support. Customers can purchase numismatic coin and medal products through the United States Mint website, by phone order, or by mail order. Public points of sale are also available at the United States Mint facilities in Philadelphia, Denver and Washington and a United States Mint kiosk in Union Station in Washington. The objective of the United States Mint numismatic program is to make numismatic products accessible, available, and affordable to the American public. We make every effort to control costs and keep the prices of numismatic items as low as practicable. Any net proceeds from the sales of numismatic products are transferred to the Treasury General Fund to help reduce the deficit.

Bullion The United States Mint manufactures and issues gold, silver and platinum bullion coins through a network of authorized purchasers, which include precious metal and coin dealers, brokerage companies and participating banks. Bullion coins provide investors a simple and tangible means to own coins whose weight,

content and purity are guaranteed by the United States Government. Coins are available to the general public through authorized purchasers.

Medals The United States Mint prepares and strikes National and other medals. Congressional Gold Medals are selective awards authorized by Congress and approved by the President to recognize people, events, places, and institutions that have significantly affected the country or the world. Congressional Gold Medals honoring specific individuals in recognition of their achievements and contributions are widely considered the highest honor the Nation can bestow. The United States Mint also strikes bronze duplicates of these medals, as well as “list” medals, which are often a part of continuing medal series, such as the Presidents of the United States, and Historic Buildings of the United States. We sell bronze versions of these commemorative medals to the public as part of the numismatic program.

Protection The United States Mint is responsible for protecting over \$200 billion in United States assets stored in our facilities. The Office of Protection safeguards United States Mint assets, such as our products, employees, facilities and equipment, as well as non-United States Mint assets in our custody, including gold and silver bullion reserves held at the United States Bullion Depository at Fort Knox.

Our Goals:

Exclusive Brand Identity

The United States Mint is a well-established brand within both the national and international numismatic coin collecting

community. However, recognition of the agency and our products and services is less prevalent among the general public and within the retail marketplace. The United States Mint believes building a trusted, highly-recognized brand is vital to expanding our customer base and ensuring continued success of numismatic and bullion programs. To the American people, the United States Mint should be distinguished for exemplifying accountability, integrity, innovation and excellence in the production and sale of the Nation's coins and medals.

Current Status of the United States Mint Brand

In FY 2008, we created a Brand Identity Steering Committee (Committee) to develop and establish a United States Mint branding strategy. The objective of this effort is to establish and reinforce the exclusive brand identity of the United States Mint. Some of the key components of this objective are as follows:

- Increasing the public's recognition of the United States Mint as the exclusive origin of United States coins and medals, including circulating coins, numismatic products, precious metal investment coins, and national medals;
- Reinforcing the distinctiveness, individuality, and official authority of United States Mint marks, names, symbols, and trade dress;

- Diminishing the public's likelihood of confusion and mistake between the United States Mint and other sources of coins and medallions, such as private mints and dealers; and
- Promoting the reputation, goodwill, confidence and quality associated with the United States Mint name and marks.

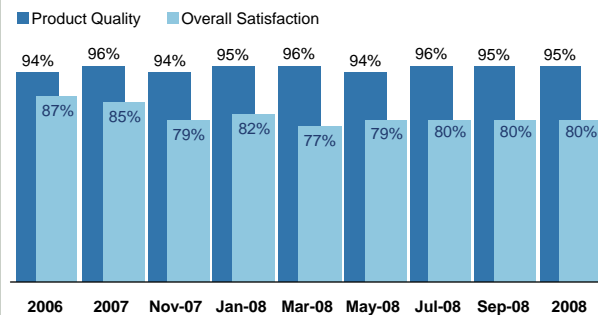
The Committee is currently seeking information from other Federal government agencies, foreign mints and private sector entities with branding experience and capabilities. With this information, we will determine the appropriate next steps to achieving our goal of establishing the United States Mint's public image through the consistent use of a single, recognizable brand.

Customer Satisfaction The foundation of a trusted, highly recognized brand is high quality products and services. Developing superior products and providing responsive customer service has enabled the United States Mint to retain core numismatic customers. Maintaining product quality and customer service is critical to attracting new customers, fostering the United States Mint brand and expanding our customer base into underserved segments of the population.

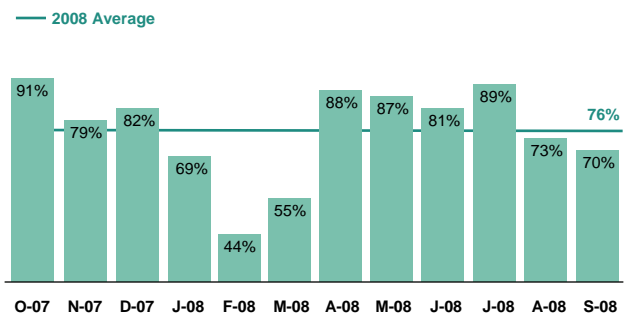
Since FY 2003, the United States Mint has utilized a bimonthly Customer Satisfaction Measure (CSM) survey to capture customer satisfaction with the United States Mint's performance as a supplier of coins and coin products and the quality of those products.

While 80 percent of active customers report high overall satisfaction with the United States Mint's performance as a product supplier, this percentage has declined

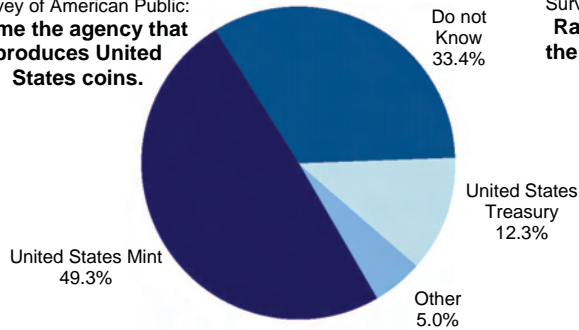
Percentage of Customers Highly Satisfied



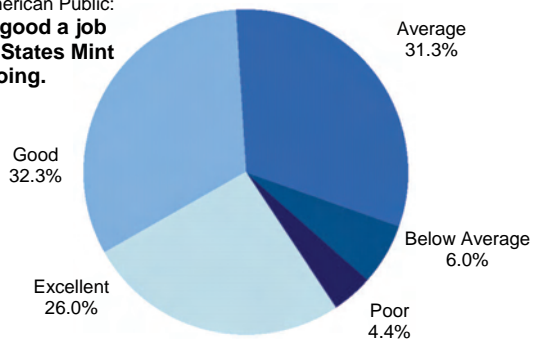
Percentage of Orders Fulfilled within Seven Days



Survey of American Public:
Name the agency that produces United States coins.



Survey of American Public:
Rate how good a job the United States Mint is doing.



steadily since FY 2006. Customer satisfaction with product quality, conversely, has remained high with about 95 percent of active customers highly satisfied with the quality of our products. Problems and delays with orders, poor communications and customer service issues all contributed to lower overall customer satisfaction in FY 2008. CSM survey results indicate that untimely order fulfillment was the most significant factor in the decline.

The United States Mint’s ability to timely deliver products to numismatic customers declined significantly in 2008 due to a number of factors. We started 2008 with an aggressive product launch schedule. Production capacity was unable to meet demand for the multiple products released in the beginning of the calendar year. Many products had to be placed on back order until production capacity could recover. In January 2008, the United States Mint temporarily suspended operation of our online catalog for six days to ensure a reliable transition to a new service provider. Finally, in February 2008, a tornado hit and significantly damaged our product fulfillment facility in Memphis, Tennessee. It took five days to restore the facility to working operation and resume deliveries.

In FY 2009, the United States Mint plans to thoroughly reexamine the entire production process from design to distribution. A key component of this effort is to better integrate the product launch schedule with expected production capacity. This should ensure that adequate inventories are available when products are released and minimize backorders. We will also more directly measure and track the duration between order and fulfillment dates in FY 2009 to identify potential problems and implement corrective action. We plan to revise the CSM survey to evaluate the impact of our efforts and obtain a better understanding of our customers and how to serve them.

American Public’s Awareness and Favorability The public’s view of the United States Mint is particularly important to the success of our

Congressionally mandated programs. The support and involvement of the American public is important to the enactment and acceptance of special circulating coinage, such as 50 State Quarters® and Presidential \$1 Coins. The United States Mint conducts a national survey to measure the population’s knowledge of our main functions and obtain baseline job approval ratings. Three waves of the national survey were conducted in FY 2008.

Average results from the three surveys indicate that about half of American adults claimed to have some or extensive knowledge of the United States Mint. However, only one in five exhibited actual knowledge through identification of the agency’s multiple primary functions. Nearly half, 49.3 percent, of adults did correctly identify the United States Mint as the agency that produces United States coins. Despite confusion over the United States Mint’s exact role, 26.0 percent of adults gave the United States Mint an excellent job performance rating. An additional 32.3 percent of adults gave the agency a good rating.

Adults who knew more about the United States Mint viewed the agency slightly more favorably than those with less knowledge. Statistical analysis confirmed that knowledge of the United States Mint was not a direct driver of positive ratings. Rather, knowledge of the United States Mint drove reliability and honesty factors, which in turn produced positive job ratings. This result indicates that focusing marketing and branding on the reliability and honesty of the United States Mint will most effectively enhance public recognition and perception.

Initial branding survey results are driving current and future initiatives to build a strong United States Mint brand identity. As these initiatives are implemented, the survey questionnaire will be refined to evaluate their impact on the public’s awareness and perception of the United States Mint.

Our Goals:

Effective Coin & Medal Portfolio

The United States Mint numismatic program has experienced dramatic growth over the past several years. Over the past 10 years, revenue has grown from \$160.8 million in FY 1999 to \$557.2 million in FY 2008. The recent enactment of legislation has allowed us to expand product lines in both numismatic and circulating business segments. While sales of both new and core recurring products have been strong, we recognize the need to continually make improvements in the portfolio of products we offer. Our goal is to develop the optimal product portfolio to maximize our customer base and units sold while minimizing customer acquisition costs. We plan to achieve this goal by analyzing current and past product offerings, reassessing customer demand and exploring new ethnic and geographic markets.

Coin and Medal Portfolio Assessment The United States Mint numismatic product portfolio currently includes over 150 products with approximately 10 intersecting product lines. At the close of FY 2008, we began a thorough assessment of our coin and medal product portfolio. The assessment is intended to prioritize current product offerings as well as new product investment.

The assessment will initially analyze the performance of current and prior product offerings and the customer

segments these products target. By identifying our most and least popular products, we can better prioritize advertising and production resources. We can also work to eliminate unpopular or obsolete products from our portfolio. Once we have fully assessed our current product offerings, we will begin examining underserved market segments and developing new products to target them.

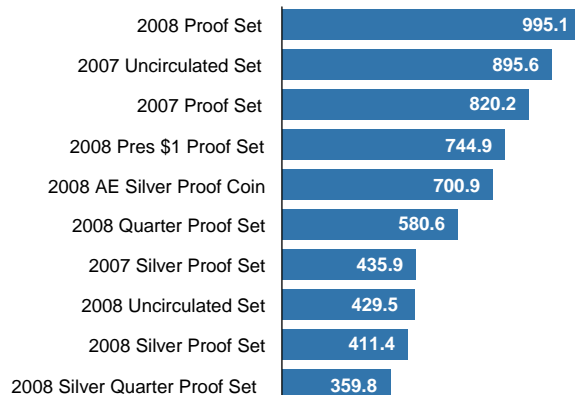
50 State Quarters® Program A significant portion of United States Mint operations remains dedicated to the 50 State Quarters® and Presidential \$1 Coin Programs. In FY 2008, the United States Mint minted and issued commemorative quarters honoring Utah, Oklahoma, New Mexico, Arizona, and Alaska. The program’s final coin, honoring Hawaii, was issued at the beginning of FY 2009. This will be followed by a one-year program commemorating the District of Columbia and the United States Territories: Puerto Rico, Guam, American Samoa, the United States Virgin Islands and the Commonwealth of Northern Mariana Islands.

The popularity of the 50 State Quarters® products has increased awareness of the United States Mint, boosted circulating revenue and seigniorage through sustained collector and transactional demand and augmented numismatic program results. Since the program began in FY 1999, annual quarter shipments to the FRB have averaged about 3.4 billion coins. Since FY 2005, quarter proof and silver quarter proof sets have contributed an average of 1.3 million units and \$24.7

Numismatic Total Revenue
(Dollars in millions)



Top Selling Numismatic Products
(Net units shipped in thousands)





Oklahoma
Commemorative
Quarter-Dollar



New Mexico
Commemorative
Quarter-Dollar

million to numismatic program annual unit sales and revenue, respectively.

Unless new legislation is enacted, the United States Mint will no longer mint and issue quarters featuring rotating designs in FY 2010.

Presidential \$1 Coin Program The United States Mint continued America’s tribute to the Nation’s Presidents in 2008, issuing four Presidential \$1 Coins featuring Presidents Madison, Monroe, Adams, and Jackson. While first-year shipments of the Presidential \$1 Coins to the FRB totaled 674 million coins, shipments have steadily declined since the George Washington Presidential \$1 Coin release. Total shipments fell 31.2 percent to only 464 million Presidential \$1 Coins in FY 2008. This decline is largely attributable to weakening collector demand as the program entered its second year and honors lesser known presidents. While patterned after the 50 State Quarters® Program, the Presidential \$1 Coin Program has not stimulated comparable transactional demand to offset waning collector demand. Depository institutions and retailers consider the Presidential \$1 Coin more a collectible than legal tender for commerce.

The Presidential \$1 Coin Act (Public Law 109-145) mandates the United States Mint to identify, analyze and overcome barriers to the robust circulation of \$1 coins. Promoting circulating usage of the coins is also beneficial to our financial results because \$1 coins can be minted and issued at a higher seigniorage per dollar than any other denomination. Achieving steady and sustained transactional demand for \$1 coins is critical to the long-term success of the Presidential \$1 Coin Program.

At the start of FY 2008, the United States Mint formed the Office of \$1 Coin Programs (O\$CP) to identify and remove barriers to circulation while motivating

Americans to accept and use \$1 coins as normal currency for everyday transactions. The Office initially focused on ensuring compliance with the Presidential \$1 Coin Act and encouraging acceptance with financial institutions. As part of a Local Activation Plan, O\$CP met with 96 bank representatives in the Washington D.C. area to familiarize them with the program and provide materials to help promote the coins. The vast majority of representatives viewed the Presidential \$1 Coin as a collectible coin distributed by the FRB to make it widely available to the American public. They generally dispensed it only when asked. Banks also found the FRB minimum ordering quantity for \$1 coins often exceeded their need and storage capacity. Dispensing \$1 coins only upon request, most banks quickly reached or surpassed their storage capacity with the initial releases. Consequently, they stopped ordering the coin from the FRB and demand steadily declined.

Direct Shipment In May 2008, the United States Mint initiated the Circulating \$1 Coin Direct Ship Program to provide \$1 coins to banks and retailers in smaller volumes than offered by the FRB. Financial institutions, retailers and individuals can now order boxes of 250 or 500 \$1 coins directly from the United States Mint free of postage and handling fees. Initial orders for the coins were unexpectedly strong. The first inventory of John Quincy Adams Presidential \$1 Coins was exhausted after only three weeks. Such strong sales indicate that some demand for the Presidential \$1 Coins is not being met through the normal distribution channels. Just over seven million \$1 coins were shipped through the Direct Ship Program at the close of the fiscal year.

Proactive Approach In FY 2008, the United States Mint conducted research on the awareness, sentiment and use of the Presidential \$1 Coin among the American public, retailers and banking personnel. Results indicated that institutional, attitudinal and behavioral barriers would need to be overcome to achieve robust circulation of the coins. The themes the United States



Alaska
Commemorative
Quarter-Dollar



Arizona
Commemorative
Quarter-Dollar

Mint had originally used to promote the Presidential \$1 Coin – convenience, utility, educational value and patriotism – were immaterially or negatively associated with propensity to use the coin.

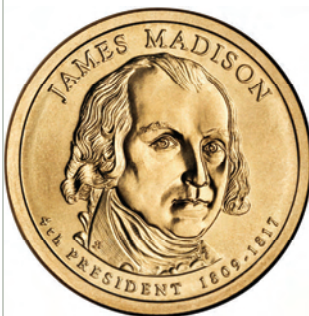
From the OSCP’s initial work and research, it became apparent that an innovative and proactive approach was necessary to stimulate circulating demand. The United States Mint contracted with a marketing consortium of three companies specializing in public relations, advertising and retailer activation to help us develop a comprehensive strategy for promoting robust circulation of the \$1 coin.

A three-pronged strategy was proposed and developed to be tested in a four-city pilot program. In addition to standard public relations and advertising efforts used in the past, the United States Mint would also focus on retail activation by promoting usage directly with large scale retailers. We found that certain themes resonated much more strongly with people in initial tests. These themes center on the durability and longevity of the coins, the 100 percent recyclable materials used to produce coinage and the billions of dollars the Nation could save over time by using the \$1 coins. We are testing the new themes and promotion techniques in four pilot cities across America: Charlotte, North Carolina; Austin, Texas; Grand Rapids, Michigan; and Portland, Oregon.

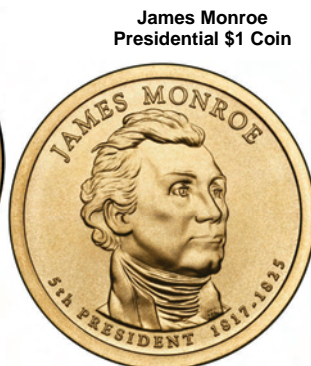
The four-month pilot was initiated in August 2008. Integrated television, radio, print and web advertising promoting the coins as “Real Change” was disseminated throughout the four cities. An active public relations campaign was initiated with local media. National, mid-size and small retailers were provided free, customized point-of-sale materials, a retailer website with program information and innovative ideas to promote customer involvement, and the support from an on-site United States Mint representative. We will conduct a thorough review of the pilot when it concludes. If successful in



generating a significant increase in transactional demand, a regional or national program will be rolled out in 2009.



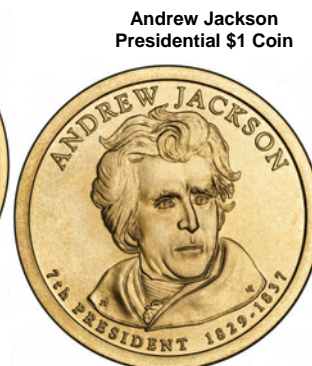
**James Madison
Presidential \$1 Coin**



**James Monroe
Presidential \$1 Coin**



**John Quincy Adams
Presidential \$1 Coin**



**Andrew Jackson
Presidential \$1 Coin**

Our Goals:

Excellence in Coin Design

The United States Mint recognizes and embraces its responsibility to do more than merely craft coins and medals.

Coins are one of the most visible, tangible representations of a country. Thus, we believe our products are exceptional artistic media for expressing our national character, memorializing our past, and embodying our future. While prior successes in coin and medal design are noteworthy, the United States Mint strives to reach new levels in design excellence. A concerted, agency-wide plan is necessary to enhance successful programs and realize greater achievements. By assembling exceptional talent, furthering technological advancement, and fostering designs that express the American spirit and values, we intend to advance a neo-renaissance of beautiful coin and medal design.

What Is Artistic Excellence? The United States Mint has established five core principles to define artistic excellence and direct our efforts. Each coin and medal we produce in the future shall embody these five principles.

Uniquely American While bridging various styles, mediums and compositions, great American art commonly expresses the same intrinsically American themes: democracy, freedom, equality, diversity, and individualism. The United States Mint's coins and medals should also convey such uniquely American ideals.

Exemplifies the 21st Century Like much historic art, coins can be classified and identified by their origin and era. Our coins and medals should likewise be recognizable by their American origin and artistic era, as well as our Nation's technological advances.

Tells a Story Often American coin designs focus too much on depicting a subject's appearance rather than telling the subject's compelling story. Employing symbolism and imagery will allow our coins and medals to convey much more than portraiture.

Advance Our Craft The United States Mint strives to become known as an innovator in coins and medal design. Technological advances should not only enhance our design capabilities, but also drive the design process itself. Our coins and medals should embody cutting edge techniques and innovative designs.

Artistically Beautiful Coins and medals serve as a unique medium that can embody all the principles discussed while also being aesthetically beautiful.

Artistic Infusion Program The Artistic Infusion Program (AIP) was launched in 2004 to enrich and invigorate our design capabilities by developing a group of visual artists to create and submit designs for selected coin and medal programs. The artists, chosen from a nationwide competition, represent a broad range of disciplines including illustration drawing, sculpting, painting, and graphic design. Since its formation, the AIP has evolved to include a refined pool of talented American artists to complement our elite and accomplished team of sculptor-engravers. Several Master Designer artists have been with the program for multiple years and have developed into top performers, earning an impressive list of design credits.

Recently enacted laws, including the Presidential \$1 Coin, First Spouse 24-Karat Gold Coins, District of Columbia and United States Territories Quarters, and Lincoln One-Cent Redesign have required the United States Mint to significantly increase our coin and medal design capacity. The exceptional designs of AIP artists have contributed to the success of these programs and



2008 Coin of the Year Award Winner: Best Trade and Most Popular Coin



2009 Ultra High Relief
Double Eagle Gold Coin



stimulated newfound interest in circulating and numismatic coinage. Our goal is to continue to develop and mentor new and existing AIP artists to achieve further success.

Recreating a Masterpiece In the early 1900s, President Theodore Roosevelt called for a “renaissance” in American coinage. He believed that the coins of the era needed to be more attractive and better embody America’s national identity and growing preeminence on the world stage. President Roosevelt appointed Augustus Saint-Gaudens, a renowned sculptor and artist, to redesign the Nation’s coins. Sharing President Roosevelt’s vision, Saint-Gaudens designed what has been called the most beautiful coin ever minted in the United States, the 1907 \$20 Double Eagle Gold Coin.

There were four variations of the 1907 Double Eagle. The minting process of the day was not conducive to the initial high relief version that Saint-Gaudens and Roosevelt specifically desired. Eventually a reduced relief coin, requiring less metal, was developed and mass produced. Saint-Gaudens’ full vision for the production of an ultra high relief coin was never realized until now.

Through the advent of modern technology, the United States Mint will be able to mass produce a contemporary, but faithful rendition of Augustus Saint-Gaudens’ 1907 Double Eagle original design. In 2009, we will issue the 2009 Ultra High Relief Double Eagle Gold Coin to fulfill Augustus Saint-Gaudens’ vision. Through 21st century technology, original Saint-Gaudens coin plasters were digitally mapped. Digital design and die-making processes were used to update the Saint-Gaudens sculpture to reflect the year 2009, the additional four stars representing the current 50 states, and the inscription “In God We Trust.” The 2009 Ultra High Relief Double Eagle Coin is a uniquely American artistic expression – created by an American sculptor and crafted by an iconic American institution.

Measuring Artistry Continued award recognition

in national and international coin competitions provides affirmation of our coin designs’ artistry. A Coin of the Year (COTY) award is one of the most prestigious accolades a coin designer or national mint can receive. Coins from throughout the world are selected on the basis of excellence in artisanship, practicality, and general appeal. The COTY judging panel consists of more than 50 leading experts in minting, technology, numismatic journalism and coin collecting. The 25th COTY Awards were held in Berlin, Germany, in February 2008. United States Mint coins received awards in three of the 10 COTY categories. The Ben Franklin Commemorative Coin took the Most Historically Significant Coin award. The Nevada Commemorative Quarter-Dollar received awards for Best Trade and Most Popular Coin categories.

With greater emphasis placed on excellence in design, more awards are anticipated in the near future. However, awards alone do not address the root causes of gaps in artistic excellence within the agency. Objective evaluation of all our designs is necessary to achieve new levels in artistic excellence. In FY 2009, the United States Mint will ask members of the Citizens Coinage Advisory Commission (CCAC) and the Commission on Fine Arts (CFA) to grade designs created for all coins and medals. Congress established the CCAC in 2003 to advise the Secretary of the Treasury on themes and designs of United States coins and medals and represent the interests of American citizens and collectors. The CFA, established by Congress in 1910, provides expert advice to the President, Congress and the heads of departments and agencies on the design and aesthetics of media of Federal interest, including national coins, medals and memorials. Members of the CCAC and CFA will evaluate and score all United States Mint coin and medal designs based on how well they embody the five core principles of artistic excellence. Scores will provide objective feedback to our artists and motivate progress toward superior designs.



2008 Coin of the
Year Award Winner:
Most Historically
Significant

Our Goals:

Operational Efficiency & Highest Quality Standards

The United States Mint is responsible for enabling commerce by minting and issuing circulating coins in amounts necessary to meet the needs of the United States. We continually strive for efficient coin manufacturing and sales operations. Greater efficiency benefits the American public as well as our customers. By reducing production and administrative costs, the United States Mint is able to transfer larger sums to the Treasury General Fund. Greater productivity and efficiency also allow us to keep the sale price of our numismatic products as low as practicable for our customers.

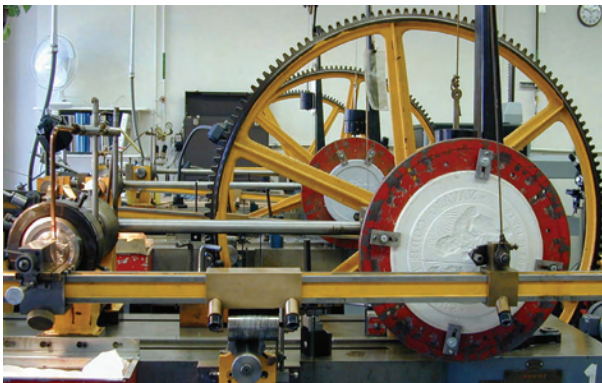
Continuous Supply of Circulating Coins The United States Mint is responsible for providing an uninterrupted supply of circulating coin to meet the needs of the United States. In FY 2009, we will begin establishing a strategic coin reserve to ensure continuous supply of circulating coins in the event of coin demand exceeding production capacity. The strategic reserve will hold sufficient coinage to compensate for an unexpected disruption in operations equivalent to the loss of one circulating plant for a period of three months. Production disruptions beyond that time may require additional measures. The United States Mint plans to build the coin inventory over the next three years by taking advantage of excess production capacity during periods of lower coin demand. The accumulated

inventory will also allow the agency to quickly meet an unexpected spike in coin demand.

Digital Design Through substantial investment over the past several years, the United States Mint has made significant technological advances in coin design, production and packaging. For over 150 years, the process for making dies to strike coins remained essentially unchanged. To create each die, first a repetitive hand sculpting process was used to develop a large-scale clay or plaster model of the original coin design. A hard cast epoxy version would then be generated from the model. This epoxy model would be mounted on an engraving machine which then slowly traced the model's details with a small stylus. Through a series of mechanical reductions, the machine would cut the traced pattern into a coin-sized steel version of the original sculpt, known as a master hub. Following a series of hand cleaning, machining, grinding, die striking, and hand polishing procedures, this single hub was used to produce all subsequent dies for coin striking.

These conventional methods often produced inconsistent or inaccurate hubs, dies and coins. Hubs based on the same design could vary if produced by different engraving machines. The repetitive hand sculpting process sometimes produced irregular backgrounds because of warping of the sculpting media. The lengthy, manual process frequently resulted in coins appearing considerably different than the original artistic design.

In FY 2008, the United States Mint completed a major



Janvier Transfer-Engraver
United States Mint Philadelphia



Computer Numerically Controlled (CNC) Digital Engraver
United States Mint Philadelphia

research and development initiative to transform the entire coin design, hub development, and die polishing process. Our goal was to develop a streamlined digital design and die manufacturing process to take advantage of existing skills and eliminate inconsistency.

The resulting new digital process employs computer software tools to generate two- and three-dimensional designs on virtual paper and clay. Designs are digitally scanned, reviewed and revised electronically. Once obverse and reverse designs are perfected, a Computer Numerically Controlled (CNC) machine uses digitally controlled lasers to accurately reproduce the design on a single or multiple hubs. This digital process has reduced the time required to manufacture a hub from two to three days to under 24 hours. The precision and accuracy of digital methods have allowed us to develop more intricate and beautiful coin designs than previously possible.

Automation In FY 2008, the United States Mint replaced certain production and packaging processes with automated systems. By increasing productivity, automation is generating more efficient operations and higher quality products.

Automated systems were installed in both San Francisco and West Point facilities to improve numismatic product packaging in 2008. The San Francisco system employs multiple robots to rapidly package proof coin sets. It uses a vision scanning system to identify a product, verify the correct packaging material and inspect packaging for any errors. Based on the desired end product, the system will insert single or multiple lenses into a single box. These finished boxes are then packed in shipping cases, and an additional robot transfers them to pallets for immediate shipment to our distribution center.

The West Point automated system replaces a lengthy manual process for inserting encapsulated coins into presentation case packaging. The system employs multiple robot arms that systematically disassemble presentation case packaging, place encapsulated coins inside each case, reassemble the case packaging and place final products into larger shipping cartons for direct transportation to our distribution center. The system also utilizes a vision scanning system to inspect each coin, case, certificate of authenticity and presentation packaging for any errors.

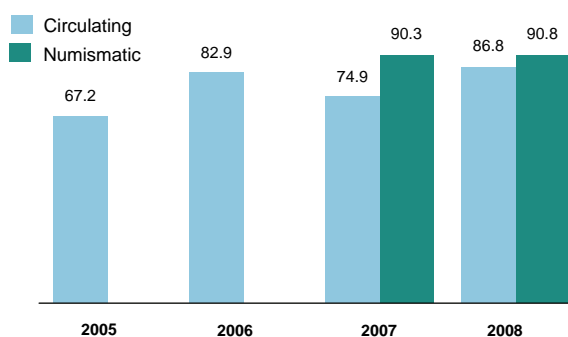
Automating these processes is expected to significantly reduce operator fatigue and injury. Automated quality checks are also anticipated to reduce costs related to product returns and rework.

Highest Quality Standards Product quality is a top priority for the United States Mint. To produce coins befitting the “Mint Condition” standard, we continually monitor and enhance our production processes. Each manufacturing facility evaluates the quality of critical production materials, including strip, blanks and packaging materials, received from various suppliers. We assess the final quality of dies used in numismatic and circulating coin production.

Each manufacturing facility also conducts monthly product quality audits to identify the source of defects and target continual quality improvements. For each audit, a quality review team randomly samples and evaluates coins for visual and dimensional defects. The source of any defective coin is identified, and corrective action is taken to prevent additional defects. For each product line, the team calculates a Mint Quality Index (MQI), a composite score of how well coin products conform to quality standards.

A MQI score of 100 indicates that product audits found no visual or dimensional defect in the coins examined. The score falls based on the number and severity of defects identified. Since we began measuring circulating MQI in 2005, the average fiscal year score has trended upward. Despite a small decline in FY 2007, circulating MQI peaked in FY 2008 with a score of 86.8. While we only began to consistently measure numismatic MQI in 2007, our numismatic score has remained at or above 90. Through continued process and product quality audits, we hope to maintain or surpass these scores in the future.

Mint Quality Index (MQI)



In FY 2009, the United States Mint will consider implementing a state-of-the-art visual inspection system for circulating coin production. The system would be capable of continuously scanning circulating coins for obvious visual and dimensional defects. If effectively implemented, the system will improve our capability to produce coins within the required quality specifications.

Our Goals:

Optimal Workforce & Workplace Culture

The United States Mint strives to develop our workforce to ensure that each employee has the necessary knowledge, skills, and attributes to effectively and meaningfully contribute to our mission. Simultaneously, we are committed to providing our employees with a fair and safe workplace. Human capital planning has become increasingly critical to the United States Mint in recent years because of declining employee satisfaction, the loss of key personnel to retirement and a changing business environment. Concerted action is necessary to address these challenges and ensure we are positioned to accomplish our mission, now and in the future.

Employee Satisfaction On a biannual basis, the United States Office of Personnel Management administers the Federal Human Capital Survey (FHCS) to all full-time, permanent employees of the Federal Government. The survey measures employees' perceptions regarding how effectively their agency manages its workforce. FHCS results are used to develop the *Best Places to Work in the Federal Government* rankings. Recently, the United States Mint has performed poorly relative to other Federal agencies. In rankings based on the 2006 FHCS, the United States Mint ranked 200 out of 222 of Federal agencies surveyed. We ranked even lower in the subcategories of teamwork, effective leadership and support of diversity. Declining employee satisfaction affects our overall productivity and efficiency. Dissatisfied employees typically are less motivated, have higher absentee and accident rates and limit themselves to fewer duties.

The United States Mint uses a quarterly Employee Pulse-Check Survey to measure employee satisfaction with the workplace. In FY 2007, we added questions to the survey based on *Best Places to Work in the Federal Government* drivers and specific FHCS questions addressing performance management, leadership and diversity. We use the results of the Employee Pulse-

Check Survey to identify opportunities for improvement and ensure continuous focus on employee satisfaction.

FY 2008 third quarter results indicate some improvement in employee satisfaction. A majority, 72 percent, of employees expressed satisfaction with their jobs, well above the 60 percent of employees expressing job satisfaction in the 2006 FHCS. About 60 percent of employees reported they would recommend the United States Mint as a good place to work, an improvement from the 55 percent of employees recommending the agency in the 2006 FHCS. While survey results suggest some improvement, the United States Mint still needs to develop new approaches and strategies to engage management and employees and solidify our commitment to employee satisfaction.

A Need for Improved Leadership The 2006 FHCS indicated that our employees found significant deficiencies in the United States Mint's leadership. Typically, about a third of employees negatively rated management's performance in the areas of motivation, integrity, communication, fairness and dispute resolution. Only about half, 53 percent, of employees reported they had trust and confidence in their supervisor. To address these weaknesses, the United States Mint deployed the Leadership Development Program (LDP) in FY 2008 to provide managers with the knowledge and confidence they need to more effectively lead their employees.

The initial phase of the LDP required all supervisors, managers and executives to attend training sessions focused on such management essentials as communication, teamwork, conflict resolution and human resources and equal employment opportunity responsibilities. Since December 2007, 283 supervisors have attended the LDP training. Attendees benefited from the course materials as well as the opportunity to meet and interact with other managers throughout the organization. Employee Pulse Check Survey results indicated a significant improvement in the percentage of employees reporting that their supervisor takes an active interest in their training and development since the LDP began. Based on the program's initial success, the United States Mint plans to implement a three-phased LDP emphasizing interpersonal skills, managing

change, strategic thinking, and organizational development.

An Aging Workforce Nearly half of the current United States Mint workforce will be eligible for retirement in the next five years. Loss of key personnel may affect some of the agency's most critical occupational categories. We are addressing these concerns through the Manufacturer Certification and Apprenticeship Program (MCAP). The MCAP is an on-the-job training and certification program for wage grade employees in the coin and die divisions of our Philadelphia and Denver facilities. This program is intended to create a highly skilled and flexible manufacturing workforce.

As the MCAP progresses, all currently specialized, lower grade jobs will be combined into two higher grade positions which incorporate all functions necessary to produce either coins or dies. For example, all individual coining jobs, such as packaging operator, press operator and die setter, will be combined into a single coin manufacture position. Employees advance gradually through the MCAP by completing classroom and on-the-job training in each production skill requirement. Employees must demonstrate proficiency in operations to achieve certification and advance to the next program level. At the top level, employees will be qualified to perform any job in the entire coin or die production process. Those who successfully complete the program will periodically rotate through all positions to ensure their competency levels are maintained.

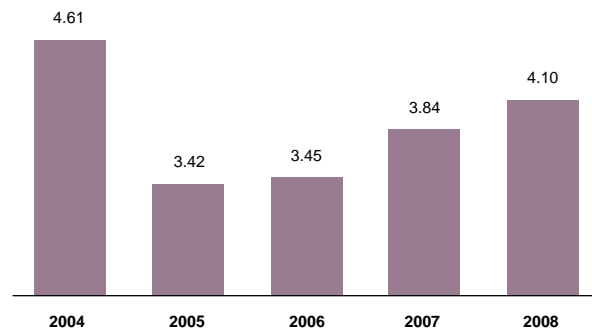
The MCAP will be monitored closely to confirm compliance with training and certification requirements. The progress of participants will be tracked and periodic progress reports generated to comply with senior management and United States Department of Labor (DOL) requests. Depending on its success in Denver and Philadelphia, the MCAP may be expanded to other production facilities.

Preparing for the Future Along with efforts to enhance employee satisfaction and leadership, the United States Mint is assessing whether we have the necessary skills and resources to achieve our mission now and in the future. At the end of FY 2008, the United States Mint asked supervisors and managers to identify the ten critical job-related skills needed for each occupation they oversee. Comparing current with desired skills will indicate any gaps that should be addressed. This initial skills gap assessment will guide training and recruiting efforts in upcoming fiscal years. Additional assessments will be conducted in future years to evaluate our progress in closing any skill gaps.

The United States Mint also deployed the Treasury Learning Management System (TLMS) in FY 2008 to assist managers in identifying and obtaining appropriate training for their employees. TLMS is a comprehensive online training system which will provide employees instant access to over 2,000 online courses. Both employees and supervisors will be able to use TLMS to develop personal training plans to address any skills gaps as well as achieve personal training goals.

Employee Safety In FY 2008, the United States Mint struggled to maintain employee safety levels achieved in prior years. The recordable incident rate per 100 full-time workers was 4.10, based on 71 recordable injuries and illnesses. The recordable incident rate measures the occurrence of incidents meeting DOL Occupational Safety and Health Administration (OSHA) recordable criteria and indicates our performance in ensuring a safe work environment for employees. FY 2008 is the third consecutive year the rate increased. Safety efforts have become more focused on improving physical surroundings and conditions than addressing unsafe practices which expose employees to risk of injury. Despite the overall decline, certain facilities have maintained high safety standards. An OSHA team audited our Philadelphia plant in FY 2008 and renewed the facility's prestigious Voluntary Protection Programs (VPP) Star status for five years.

Recordable Incident Rate per 100 Full-Time Workers



The United States Mint implemented a more proactive safety improvement plan in mid-FY 2008 to mitigate further increases in the accident rate. The plan aimed to increase focus on order and housekeeping, foster application of best practices and address the root cause of accidents to prevent recurrence. Employees were actively engaged in safety efforts, including employee driven safety observations, daily huddles and weekly safety topic meetings. Through a concerted effort, the United States Mint has made progress in this area. Initial efforts focused on our Denver facility. The Denver rate dropped 36.3 percent to 8.05 in the second half of FY 2008 compared to 12.63 in the first half of the year. Safety will remain an area of focus in FY 2009.

Current and Future Challenges

A changing operating environment is posing new challenges and opportunities for the United States Mint. Future success depends on a variety of factors including increased collaboration with the Federal Reserve Banks (FRB); flexibility in production of circulating coins; robust circulation of the \$1 coin; and strategies for mitigating the effects of commodity and precious metal markets.

FRB Inventory Adjustments In January 2008, the FRB began to deplete its accumulated inventory of lower denomination circulating coins to meet demand. From September 2007 to September 2008, the FRB reduced its monthly ending inventory of penny, nickel and dime coins by 1.1 billion pieces or 20.4 percent. This significantly reduced FRB's need for newly minted coinage. The number of penny, nickel and dime coins shipped to the FRB fell 34 percent from FY 2007.

The relative strength of higher denominations lessened the impact of the FRB inventory adjustment on overall circulating revenue. Sustained demand for newly minted 50 State Quarters[®] Program coins augmented quarter shipments which fell but by only seven percent from FY 2007. Shipments of \$1 coins also fell, but this was largely attributable to declining collector demand as the Presidential \$1 Coin Program entered its second year and difficulties emerged in promoting robust circulation of the coins.

The United States Mint expects circulating revenue to increase somewhat in upcoming years as low denomination inventory levels bottom out and the United States economy emerges from the recent slowdown. However, an additional FRB inventory adjustment is possible as the 50 State Quarters[®] Program concludes in FY 2009. Prior to the program start in January 1999, the FRB increased its monthly ending inventory of quarters 243.9 percent from 841 million in September 1998 to 2,892 million in September 2008.

A rapid suspension of FRB orders for quarters could significantly disrupt circulating coin production. The

United States Mint plans to work with the FRB to ensure the accumulated coins are distributed over time, minimizing any potential shock to production. The release of six quarters honoring the District of Columbia and the United States Territories may delay the potential adjustment until FY 2010.

Higher Circulating Production Costs

Dramatic increases in the prices of zinc, copper, and nickel in recent years have driven up the cost of producing circulating coinage. From September 2004 to September 2007, the average monthly spot price of base metals increased 164 percent for copper, 122 percent for nickel and 196 percent for zinc. While metal prices declined somewhat in FY 2008, metal continues to make up a significant portion of overall production costs, eroding seigniorage derived from circulating operations. Currently, both the penny and nickel cost more to produce than their face value. Minting and issuing these coins at a loss reduces the amount of seigniorage available for the United States Mint to transfer to the Treasury General Fund.

In 2007, the Department of the Treasury and the United States Mint, with the support of the Administration, sent a legislative proposal to Congress that would authorize the Secretary of the Treasury to change the composition of coins to less expensive alternative coinage materials. As a result, the "Coinage Materials Modernization Act of 2007" (H.R. 3330 and S. 1986) was introduced.

The United States Mint continues to promote the passage of coinage materials modernization legislation. Such legislation would provide for a flexible and transparent process to identify potential alternative materials to be used in new coinage, research and test various materials, and thoroughly review the capital investment, available suppliers and production line changes necessary for implementation. We believe the public input and objective analysis required by this process is the most promising approach to achieving a permanent solution to addressing the cost of producing the Nation's circulating coins.

Promoting Robust Circulation of \$1 Coins

While first-year shipments of the Presidential \$1 Coins to the FRB reached 674 million coins, shipments have

steadily declined as the program entered its second year and honors lesser known Presidents. Depository institutions and retailers consider the Presidential \$1 Coin more a collectible than legal tender for commerce.

The Presidential \$1 Coin Act (Public Law 109-145) mandates the United States Mint to identify, analyze and overcome barriers to the robust circulation of \$1 coins. Promoting circulating usage of the coins is also important to financial results because \$1 coins generate a higher return per dollar issued than any other denomination. Achieving steady and sustained transactional demand for \$1 coins is critical to the long-term success of the Presidential \$1 Coin Program.

Volatile Precious Metal Markets Record growth and dramatic swings in the prices of gold, silver, and platinum on commodity exchanges present unique challenges to our bullion and numismatic operations.

The bullion markets experienced unprecedented growth through most of FY 2008 as gold and silver prices rose to 20-year highs. Weakness in equity markets and declines in the United States dollar against most foreign currencies drove investors to commodities as safe havens, especially gold and silver. The United States Mint is one of the world's largest producers of gold and silver coins. However, production capacity and the volume of precious metal blanks our suppliers can timely provide constrain the number of bullion products the United States Mint can produce and sell. In FY 2008, we temporarily suspended the sale of certain bullion products because inventories were insufficient to meet record demand. We also set standard allocation and ordering limits so that scarce products would be equitably distributed among authorized purchasers. This has led to some customer dissatisfaction with our operations as well as misunderstanding among the investor community and the public.

Volatile precious metal markets can create untenable price differentials between precious metal products and the United States Mint's numismatic products. Intended to satisfy collector rather than investor demand, our numismatic products are made of various compositions of precious metals and are priced prior to sale. Each product is priced based on production costs and the prevailing market price of gold, silver or platinum. When current precious metal prices diverge significantly from the original purchase, investors will begin purchasing numismatic coins to take advantage of the differential between the product and the market price. In FY 2008, because of upward trends in precious metal markets, the United States Mint temporarily suspended sale of certain numismatic products to adjust the sale

price to be more in line with the prevailing market price. Suspending sales and re-pricing products negatively affects overall sales and customer satisfaction.

We are currently developing a new pricing model to prevent any future suspension of numismatic product sales. The model will be transparent to our customers and match our precious metal buying strategy to numismatic product selling patterns.



Patricia M. Greiner
United States Mint Chief Financial Officer

**Message from the
Chief Financial Officer:**

I am pleased to present the United States Mint's financial statements as an integral part of the FY 2008 Annual Report. As an organization, our priority is to report accurate financial data while objectively and steadily executing our fiscal responsibilities to the American people. For FY 2008, our independent auditors rendered an unqualified opinion. The United States Mint remains committed to accountability and integrity in our financial and management responsibilities.

The United States Mint faced a challenging year in FY 2008. Shipments of circulating coins fell significantly because of lower economic activity and adjustments in the Federal Reserve Banks' inventory levels. Unprecedented demand for precious metals strained our ability to procure the materials necessary to continuously supply bullion coins. We are proud to report that, even with these challenges, the United States Mint transferred \$750 million to the Treasury General Fund as a result of our FY 2008 operations.

Strong financial management remains a key strategic focus for the United States Mint. As previously reported, we identified one material weakness in FY 2007 resulting from the conversion of our automated financial system from internal to third party management. This significant change required the United States Mint to implement revised controls and reporting processes for financial reporting and inventory management. We closed out all FY 2007 corrective actions by January 30, 2008.

To ensure no further deficiencies, the United States Mint conducted a full-scope A-123 program review during FY 2008 for financial reporting under OMB Circular A-123 "Management's Responsibility for Internal Control" guidelines. Additionally, we performed a more detailed review of inventory management. Based on the results as of June 30, 2008, the United States Mint identified a single material weakness resulting from internal control failures related to the financial statement line item *Inventory and Related Property*. Planned corrective actions and target dates were developed for each internal control failure. We have made substantial improvements in our processes and anticipate closing out all FY 2008 corrective actions by November 15, 2008.

The United States Mint prepared its financial statements in compliance with accounting standards issued by the Federal Accounting Standards Advisory Board (FASAB). The FASAB is designated by the American Institute of Certified Public Accountants as the standard-setting body for the financial statements of Federal government entities, with respect to the establishment of United States Generally Accepted Accounting Principles.

We closed FY 2008 continuing to provide the American people high quality products and good financial results given our current operating environment. We are committed to presenting our results in a complete and understandable manner to our stakeholders, the American public. We hope you find the new annual report format useful and transparent. We look forward to maintaining our 216 year-old tradition of service to the American public and our collectors in FY 2009.

Sincerely,

A handwritten signature in blue ink that reads "Patricia M. Greiner".

Patricia M. Greiner
Chief Financial Officer

2008 Operating Results:

Circulating

Circulating Coinage

The primary mission of the United States Mint is to enable commerce by minting and issuing circulating coinage to meet the needs of the United States. Coins are shipped to the Federal Reserve Banks (FRB) as needed to replenish inventory and fulfill commercial demand. Revenue from the sale of circulating coins is recognized when coins are shipped to the FRB.

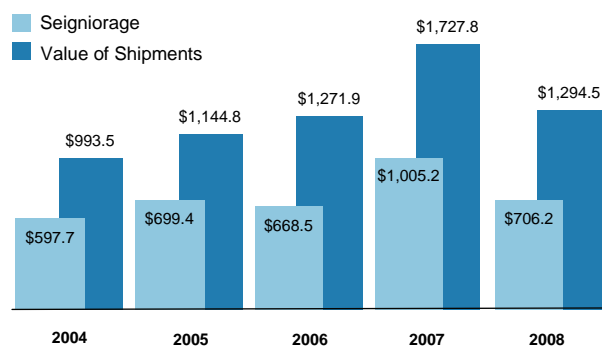
Earned revenue from circulating coinage equals the gross costs (metal, manufacturing, and transportation) incurred to make and distribute the coins. Seigniorage represents the difference between the cost to make the coin and the face value received from the FRB. Seigniorage is considered an “other financing source” in the financial statements. It adds to the Federal Government’s cash balance, but unlike the payment of taxes or other receipts, seigniorage does not involve a transfer of financial assets from the public. Instead, it arises from the exercise of the Federal Government’s sovereign power to create money and the public’s desire to hold financial assets in the form of coins. The President’s Budget excludes seigniorage from receipts and treats it as a means of financing the national debt.

Circulating Shipments & Seigniorage

Total circulating coins shipped to the FRB decreased nearly 28.9 percent from 14,021 million pieces in FY 2007 to 9,974 million pieces in FY 2008. The total dollar value of circulating shipments to the FRB decreased to \$1,294.5 million from \$1,727.8 million last year.

The slowing economy was the main reason for declining circulating shipments in FY 2008. Demand for

Circulating Dollar Value of Shipments & Seigniorage
(Dollars in millions)



circulating coins fell as retail activity weakened. Compounding the impact of the economic slowdown, in January 2008, the FRB began drawing down inventory levels system-wide. By using inventory of lower denominations to meet transactional demand, the FRB largely reduced its need for newly minted coins.

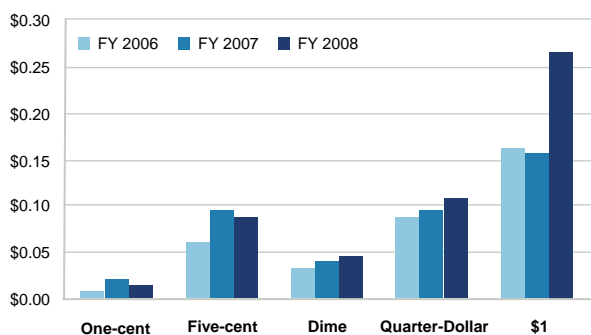
Shipments of higher denominations fell to a lesser extent because of continued collector interest in rotating coin designs. The relative strength of higher denominations boosted the total dollar value of shipments in FY 2008. While the total quantity of coins shipped was cut in half from past fiscal years, higher denominations made up a growing portion of total coins shipped. Consequently, the value of shipments did not fall as significantly and remained consistent with fiscal years prior to FY 2007.

Weakened demand reduced both the gross cost and seigniorage from circulating operations. While circulating gross costs fell to \$588.3 million from \$722.6 million in FY 2007, gross costs made up a larger

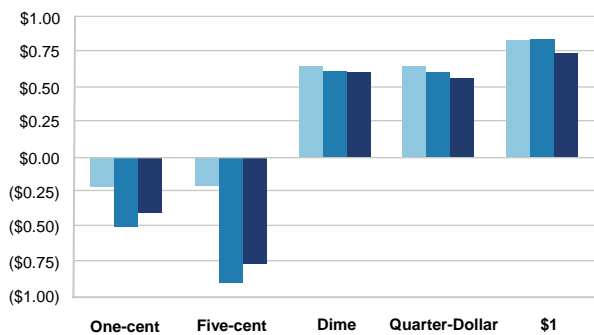
Circulating (Dollars in millions except Seigniorage per \$1 Issued)

	2008	2007	2006	2005	2004	% Change 2007 to 2008
Value of Shipments	\$ 1,294.5	\$ 1,727.8	\$ 1,271.9	\$ 1,144.8	\$ 993.5	(25.1%)
Gross Cost	\$ 588.3	\$ 722.6	\$ 603.4	\$ 445.4	\$ 395.8	(18.6%)
Cost of Goods Sold	\$ 491.3	\$ 629.1	\$ 508.8	\$ 359.5	\$ 306.9	(21.9%)
SG&A	\$ 97.0	\$ 93.5	\$ 94.6	\$ 85.9	\$ 88.9	3.7%
Seigniorage	\$ 706.2	\$ 1,005.2	\$ 668.5	\$ 699.4	\$ 597.7	(29.7%)
Seigniorage per \$1 Issued	\$ 0.55	\$ 0.58	\$ 0.53	\$ 0.61	\$ 0.60	

Unit Cost by Denomination



Seigniorage per \$1 Issued by Denomination



proportion of the overall face value of coins shipped. Seigniorage decreased nearly 29.7 percent to \$706.2 million from \$1,005.2 million last year. Lower production volumes and higher dollar coin production costs offset the benefit of lower base metal prices on per-unit costs and resulted in lower seigniorage per dollar issued in FY 2008. Seigniorage per dollar issued fell slightly to \$0.55 in FY 2008 from \$0.58 in FY 2007.

Shipments by Denomination

Reduced demand for newly minted circulating coins was most evident for lower denominations. Shipments of penny, nickel and dime coins fell 25.6 percent, 49.8 percent and 52.4 percent, respectively, from FY 2007. Continued demand for newly minted 50 State Quarters[®] Program coins augmented shipments of quarter-dollar coins which fell by only 7.4 percent from FY 2007. While shipments of \$1 coins decreased 31.2 percent, this was largely attributable to declining collector demand as the Presidential \$1 Coin Program entered its second year and difficulties continued with promoting robust circulation of the coins.

The significant decline in shipments of lower denominations resulted from both the economic slowdown and adjustments the FRB made to inventory levels. Compared with the FRB monthly ending

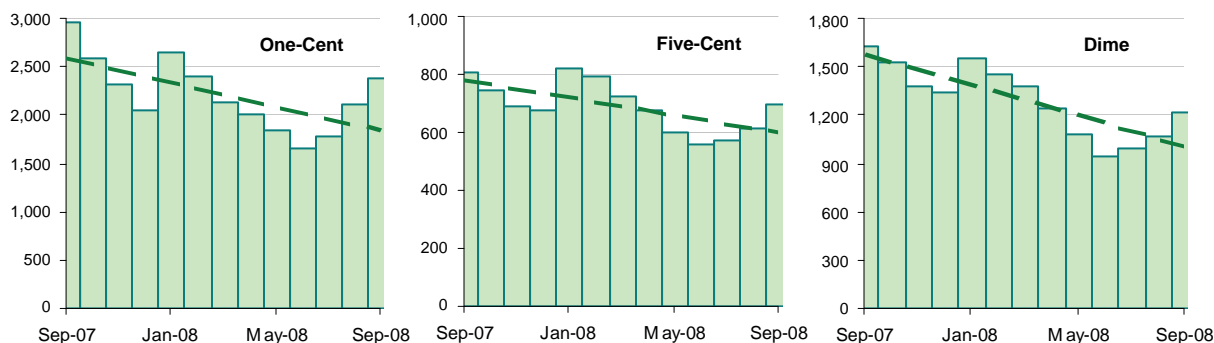
inventory in September 2007, the FRB stock of pennies fell 19.8 percent. The inventory of nickels declined 13.0 percent, and the stock of dimes fell 25.1 percent. In contrast, the FRB monthly ending inventory of quarters increased 34.4 percent and the stock of \$1 coins grew 80.0 percent over the same period.

Circulating Coinage Costs

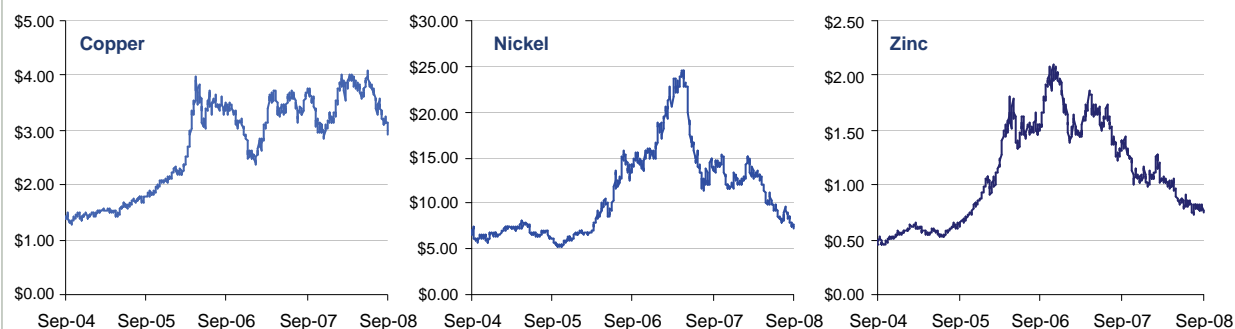
Steady increases in the prices of copper, nickel and zinc have driven up the cost of producing circulating coinage over the last few years. The average daily spot price for the month of September increased 164.2 percent for copper, 122.5 percent for nickel and 195.5 percent for zinc between 2004 and 2007. Over that time, metal made up a growing portion of overall production costs and reduced the seigniorage generated from circulating operations. In FY 2008, however, the market price of nickel and zinc fell from FY 2007 peaks. The price of copper began to decline at the close of the fiscal year. The average daily spot price for the month of September decreased 8.6 percent for copper, 39.8 percent for nickel and 39.8 percent for zinc between 2007 and 2008.

Despite the recent decline in base metal prices, gross cost actually increased relative to the overall face value of coins shipped. Various factors offset the benefit of lower metal prices and resulted in lower seigniorage per

FY 2008 Federal Reserve Banks Monthly Ending Inventory for Lower Denominations (Pieces in millions)



Base Metal Daily Official Spot Price
(Prices in dollars per pound)



dollar issued in FY 2008. When production volumes decline because of lower demand, fixed production costs are spread over fewer units. This offsets any per-unit gains from lower base metal costs. For example, the per-unit metal cost of a nickel fell about \$0.0154 from \$0.0815 in FY 2007 to \$0.0661 in FY 2008. However, the per-unit fixed production costs increased \$0.0082, resulting in only a small decline in the nickel overall unit cost. Similarly, the penny unit cost fell slightly from FY 2007 because higher per-unit vendor fabrication costs offset lower per-unit metal costs. The unit costs for dime and quarter denominations increased in FY 2008 because of higher per-unit fixed production costs.

While declining from last year, the unit cost for penny and nickel denominations remained above face value for the third consecutive fiscal year. Lower demand did reduce the overall loss the United States Mint incurred from producing these denominations. Penny and nickel coins were produced at a loss of \$47.0 million, down from the FY 2007 loss of about \$98.6 million.

Gross cost also increased relative to the value of shipments from last year because of higher \$1 coin metal costs. The United States Mint maintained an inventory of excess \$1 coin strip since the initial

Sacagawea Golden Dollar coin production in calendar years 2000 and 2001. This strip, purchased at a cost much lower than FY 2007 prices, was used to produce the initial Presidential \$1 Coin release. Because the value of metal inventory is not reported as cost of goods sold (COGS) until coins are shipped to the FRB, the cost to produce coins with the older strip was lower than what it would have been had new strip been purchased at prevailing prices. FY 2008 was the first year new strip had to be acquired for all \$1 coin production. This increased the per-unit metal costs by about \$0.0384 from \$0.0281 in FY 2007 to \$0.0665 in FY 2008. Higher metal cost, combined with higher fixed production costs, increased the overall \$1 coin unit costs 67.9 percent from \$0.1573 in FY 2007 to \$0.2641 in FY 2008.

FY 2008 Shipments to Federal Reserve Banks, Cost and Seigniorage by Denomination
(Coins and dollars in millions except seigniorage per \$1 issued)

	One-Cent	Five-Cent	Dime	Quarter-Dollar	Half-Dollar	\$1	Mutilated & Other	Total
Coins Shipped to the FRB	5,272	647	1,070	2,510	—	475	—	9,974
Dollar Value of Shipments	\$ 52.7	\$ 32.3	\$ 107.1	\$ 627.6	\$ —	\$ 474.8	\$ —	\$1,294.5
Gross Cost	\$ 74.9	\$ 57.1	\$ 46.6	\$ 273.5	\$ —	\$ 125.4	\$ 10.8	\$ 588.3
Cost of Goods Sold	\$ 74.7	\$ 57.1	\$ 40.3	\$ 235.2	\$ —	\$ 73.2	\$ 10.8	\$ 491.3
SG&A	\$ 0.2	\$ —	\$ 6.3	\$ 38.3	\$ —	\$ 52.2	\$ —	\$ 97.0
Seigniorage	\$ (22.2)	\$ (24.8)	\$ 60.5	\$ 354.1	\$ —	\$ 349.4	\$ (10.8)	\$ 706.2
Seigniorage per \$1 Issued	\$ (0.42)	\$ (0.77)	\$ 0.56	\$ 0.56	\$ —	\$ 0.74	\$ —	\$ 0.55

FY 2007 Shipments to Federal Reserve Banks, Cost and Seigniorage by Denomination
(Coins and dollars in millions except seigniorage per \$1 issued)

	One-Cent	Five-Cent	Dime	Quarter-Dollar	Half-Dollar	\$1	Mutilated & Other	Total
Coins Shipped to the FRB	7,084	1,289	2,247	2,711	—	690	—	14,021
Dollar Value of Shipments	\$ 78.1	\$ 64.4	\$ 224.8	\$ 677.8	\$ —	\$ 682.7	\$ —	\$ 1,727.8
Gross Cost	\$ 118.2	\$ 122.9	\$ 92.1	\$ 265.3	\$ —	\$ 108.5	\$ 15.6	\$ 722.6
Cost of Goods Sold	\$ 118.2	\$ 122.9	\$ 81.2	\$ 231.3	\$ —	\$ 59.9	\$ 15.6	\$ 629.1
SG&A	\$ —	\$ —	\$ 10.9	\$ 34.0	\$ —	\$ 48.6	\$ —	\$ 93.5
Seigniorage	\$ (40.1)	\$ (58.5)	\$ 132.7	\$ 412.5	\$ —	\$ 574.2	\$ (15.6)	\$ 1,005.2
Seigniorage per \$1 Issued	\$ (0.51)	\$ (0.91)	\$ 0.59	\$ 0.61	\$ —	\$ 0.84	\$ —	\$ 0.58

FY 2006 Shipments to Federal Reserve Banks, Cost and Seigniorage by Denomination
(Coins and dollars in millions except seigniorage per \$1 issued)

	One-Cent	Five-Cent	Dime	Quarter-Dollar	Half-Dollar	\$1	Mutilated & Other	Total
Shipments to the FRB	8,553	1,461	3,023	3,007	2	60	—	16,106
Dollar Value of Shipments	\$ 85.0	\$ 72.6	\$ 301.9	\$ 751.1	\$ 1.0	\$ 60.3	\$ —	\$ 1,271.9
Gross Cost	\$ 103.3	\$ 87.2	\$ 114.4	\$ 272.7	\$ 0.4	\$ 9.7	\$ 15.7	\$ 603.4
Cost of Goods Sold	\$ 103.3	\$ 87.1	\$ 89.9	\$ 209.4	\$ 0.4	\$ 3.0	\$ 15.7	\$ 508.8
SG&A	\$ —	\$ 0.1	\$ 24.5	\$ 63.3	\$ —	\$ 6.7	\$ —	\$ 94.6
Seigniorage	\$ (18.3)	\$ (14.6)	\$ 187.5	\$ 478.4	\$ 0.6	\$ 50.6	\$ (15.7)	\$ 668.5
Seigniorage per \$1 Issued	\$ (0.22)	\$ (0.20)	\$ 0.62	\$ 0.64	\$ 0.60	\$ 0.84	\$ —	\$ 0.53

Unit Cost of Producing and Distributing Coins by Denomination

FY 2008	One-Cent	Five-Cent	Dime	Quarter-Dollar	Half-Dollar	\$1
Cost of Goods Sold	\$ 0.0139	\$ 0.0877	\$ 0.0371	\$ 0.0925	\$ —	\$ 0.1517
SG&A	\$ —	\$ —	\$ 0.0059	\$ 0.0153	\$ —	\$ 0.1098
Distribution to FRB	\$ 0.0003	\$ 0.0006	\$ 0.0006	\$ 0.0012	\$ —	\$ 0.0026
Total Expenses	\$ 0.0142	\$ 0.0883	\$ 0.0436	\$ 0.1090	\$ —	\$ 0.2641

FY 2007	One-Cent	Five-Cent	Dime	Quarter-Dollar	Half-Dollar	\$1
Cost of Goods Sold	\$ 0.0165	\$ 0.0949	\$ 0.0357	\$ 0.0841	\$ —	\$ 0.0835
SG&A	\$ —	\$ —	\$ 0.0048	\$ 0.0125	\$ —	\$ 0.0705
Distribution to FRB	\$ 0.0002	\$ 0.0004	\$ 0.0004	\$ 0.0012	\$ —	\$ 0.0033
Total Expenses	\$ 0.0167	\$ 0.0953	\$ 0.0409	\$ 0.0978	\$ —	\$ 0.1573

FY 2006	One-Cent	Five-Cent	Dime	Quarter-Dollar	Half-Dollar	\$1
Cost of Goods Sold	\$ 0.0119	\$ 0.0592	\$ 0.0294	\$ 0.0681	\$ 0.1729	\$ 0.0495
SG&A	\$ —	\$ 0.0001	\$ 0.0081	\$ 0.0211	\$ —	\$ 0.1092
Distribution to FRB	\$ 0.0002	\$ 0.0004	\$ 0.0003	\$ 0.0015	\$ 0.0020	\$ 0.0008
Total Expenses	\$ 0.0121	\$ 0.0597	\$ 0.0378	\$ 0.0907	\$ 0.1749	\$ 0.1595

2008 Operating Results:

Numismatic

Numismatic Products

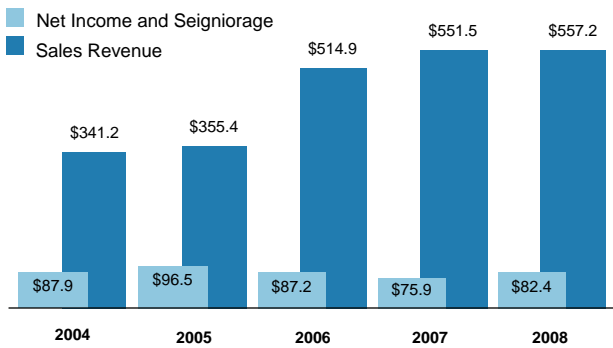
The United States Mint prepares and distributes a variety of numismatic products directly to the public. For some numismatic products, authorizing legislation specifies program requirements, such as design theme, mintage level and the duration of product availability. Other programs are structured by law to grant the Secretary of the Treasury discretion in determining product specifications. The value of sales of numismatic products is considered earned revenue in the financial statements. The net return from numismatic operations is calculated by subtracting the program's gross costs from sales revenue. A main objective of numismatic operations is to keep the sale price of products as low as practicable for customers. The program is managed to a 15 percent net margin overall to ensure sale prices are as low as practicable and returns are sufficient to fund numismatic operating costs.

The United States Mint sells certain circulating coins through numismatic channels. Earned revenue (gross costs) from numismatic sales of circulating coins is recognized in the same way as circulating sales to the FRB. Seigniorage from the numismatic sale of circulating coins is not available to the United States Mint as spending authority, but is transferred to the Treasury General Fund as off-budget receipts.

Sales Revenue, Net Income & Seigniorage

In FY 2008, numismatic sales revenue plus earned revenue from the sale of circulating coins increased slightly to \$557.2 million from \$551.5 million last year. The enactment of legislation authorizing the 50 State Quarters[®], Presidential \$1 Coin and First Spouse Gold

Numismatic Sales Revenue, Net Income & Seigniorage
(Dollars in millions)



Bullion Coin Programs has allowed the United States Mint to expand product lines and attract new customers in recent years. Strong sales of recurring program products drove most of the steady state growth in FY 2008.

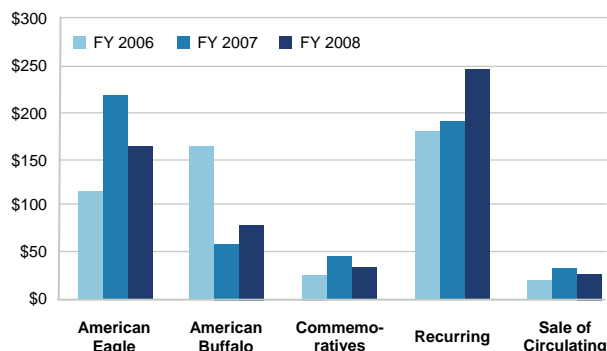
Numismatics gross costs fell slightly to \$474.8 million from \$475.6 million in FY 2007 because rising sales, general and administrative (SG&A) expenses were offset by declining COGS. As circulating revenue decreased, numismatic program revenue made up a larger portion of the United States Mint total revenue in FY 2008. Consequently, a larger portion of the United States Mint total SG&A cost was allocated to the numismatic program. SG&A expenses grew 9.9 percent from FY 2007, but the increase was offset by a 2.2 percent decline in COGS.

Net income and seigniorage increased 8.6 percent to \$82.4 million in FY 2008 from \$75.9 million last year.

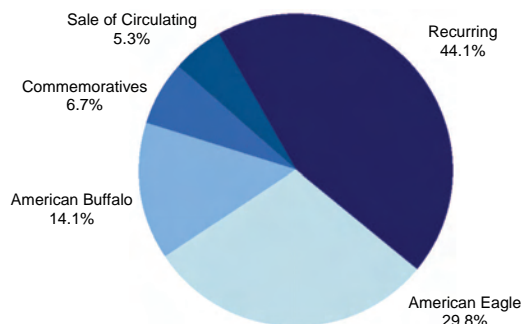
Numismatic (Dollars in millions)

	2008	2007	2006	2005	2004	% Change 2007 to 2008
Sales Revenue	\$ 557.2	\$ 551.5	\$ 514.9	\$ 355.4	\$ 341.2	1.0%
Gross Cost	\$ 474.8	\$ 475.6	\$ 427.7	\$ 258.9	\$ 253.3	(0.2%)
Cost of Goods Sold	\$ 388.1	\$ 396.7	\$ 346.2	\$ 180.1	\$ 180.2	(2.2%)
SG&A	\$ 86.7	\$ 78.9	\$ 81.5	\$ 78.8	\$ 73.1	9.9%
Net Income & Seigniorage	\$ 82.4	\$ 75.9	\$ 87.2	\$ 96.5	\$ 87.9	8.6%
Numismatic Net Margin	14.8%	13.8%	16.9%	27.2%	25.8%	
Seigniorage Portion	\$ 22.5	\$ 27.1	\$ 13.9	\$ 23.3	\$ 46.4	(17.0%)

Sales Revenue by Numismatic Product Program (Dollars in millions)



FY 2008 Numismatic Sales Revenue by Product Program



A higher net return from the sale of American Buffalo and Recurring Products accounted for most of the overall increase. The numismatic program was managed to just below the standard net margin of 15 percent. The numismatic net margin increased to 14.8 percent in FY 2008 from 13.8 percent in FY 2007.

Results by Product Program

American Eagle Program American Eagle gold, silver and platinum coins are offered in proof and uncirculated quality as part of the numismatic program. Revenue from the sale of American Eagle products fell 24.6 percent to \$166.0 million in FY 2008 from \$220.1 million in FY 2007. American Eagle Program revenue peaked in FY 2007 because of high overall demand for precious metals as well as the release of new uncirculated products. As precious metal market prices increased, sales were augmented by certain customers purchasing American Eagle products, traditionally intended for coin collectors, for investment purposes. While precious metal market prices continued to increase for most of FY 2008, revenue from the sale of American Eagle products declined. The United States Mint had to suspend the sale of certain products in FY 2008, which limited American Eagle program revenue. The sale of American Eagle platinum proof and uncirculated products was suspended multiple times in FY 2008 to allow for re-pricing. Through the fiscal year, the market price of platinum steadily increased, held around \$2,000 per troy ounce, and declined back to FY 2007 levels. Sales suspensions were necessary to adjust platinum product prices and prevent prices from diverging significantly from the variable market price. Declining sales of top revenue generating products, especially the American Eagle gold proof and uncirculated four-coin set, also reduced the program’s total revenue. Total net unit sales of these two sets alone decreased 59.7 percent in FY 2008, and sales revenue from the sets was down \$31.3 million from last year. Despite declining sales of many products, American Eagle program net income fell only slightly from \$29.6 million in FY 2007 to \$28.6 million in FY 2008 as

COGS made up a smaller portion of revenue.

American Buffalo Program Initial demand for the first American Buffalo product, the 24-karat gold proof coin, generated significant sales revenue in FY 2006. Revenue declined in the program’s second year but increased somewhat in FY 2008 as sales of new products offset declining demand for the original gold proof coin. The United States Mint introduced several new products in the 24-karat gold American Buffalo product line in FY 2008. The American Buffalo 2008 Celebration Coin, a 24-karat one-ounce gold coin, was introduced in February. Fractional half-ounce, quarter-ounce and tenth-ounce weights of American Buffalo Gold Proof and Uncirculated Coins were introduced in July. New product sales contributed to a 31.6 percent increase in American Buffalo Program revenue from \$59.9 million in FY 2007 to \$78.8 million in FY 2008. Net income increased to \$7.5 million from \$5.6 million last year.

Commemorative Coin Programs Revenue from the sale of commemorative coins, less surcharges paid to recipient organizations, fell to \$37.3 million in FY 2008 from \$45.6 million in FY 2007. Only one commemorative product, authorized by Congress, was introduced in January 2008. The Bald Eagle Commemorative Coin Program generated \$32.1 million in revenue and \$6.9 million in surcharges for the recipient organization. FY 2008 figures also include results from the sale of the Little Rock Central High School Commemorative Coin and the Jamestown 400th Anniversary Commemorative Coin, released in calendar year 2007.

Recurring Programs Recurring programs include high quality, specially presented products based on the Nation’s circulating coinage. These products include Proof Sets, Uncirculated Sets, Quarter Sets, and Presidential \$1 Coin Sets. Revenue from recurring programs increased 29.3 percent to \$245.5 million in FY 2008 from \$189.8 million in FY 2007. Higher sales of

FY 2008 Numismatic Revenue, Cost and Net Income or Seigniorage by Program *(Dollars in millions)*

	American Eagle	American Buffalo	Commemoratives	Recurring	Numismatic Sale of Circulating	Total
Sales Revenue	\$ 166.0	\$ 78.8	\$ 37.3	\$ 245.5	\$ 29.6	\$ 557.2
Gross Cost	\$ 137.4	\$ 71.3	\$ 32.9	\$ 226.1	\$ 7.1	\$ 474.8
Cost of Goods Sold	\$ 117.1	\$ 64.8	\$ 27.6	\$ 174.8	\$ 3.8	\$ 388.1
SG&A	\$ 20.3	\$ 6.5	\$ 5.3	\$ 51.3	\$ 3.3	\$ 86.7
Net Income/Seigniorage	\$ 28.6	\$ 7.5	\$ 4.4	\$ 19.4	\$ 22.5	\$ 82.4
Numismatic Net Margin	17.2%	9.5%	11.8%	7.9%	76.0%	14.8%

FY 2007 Numismatic Revenue, Cost and Net Income or Seigniorage by Program *(Dollars in millions)*

	American Eagle	American Buffalo	Commemoratives	Recurring	Numismatic Sale of Circulating	Total
Sales Revenue	\$ 220.1	\$ 59.9	\$ 45.6	\$ 189.8	\$ 36.1	\$ 551.5
Gross Cost	\$ 190.5	\$ 54.3	\$ 40.3	\$ 181.5	\$ 9.0	\$ 475.6
Cost of Goods Sold	\$ 171.0	\$ 50.3	\$ 35.8	\$ 134.6	\$ 5.0	\$ 396.7
SG&A	\$ 19.5	\$ 4.0	\$ 4.5	\$ 46.9	\$ 4.0	\$ 78.9
Net Income/Seigniorage	\$ 29.6	\$ 5.6	\$ 5.3	\$ 8.3	\$ 27.1	\$ 75.9
Numismatic Net Margin	13.4%	9.3%	11.6%	4.4%	75.1%	13.8%

FY 2006 Numismatic Revenue, Cost and Net Income or Seigniorage by Program *(Dollars in millions)*

	American Eagle	American Buffalo	Commemoratives	Recurring	Numismatic Sale of Circulating	Total
Sales Revenue	\$ 117.5	\$ 166.7	\$ 24.9	\$ 181.4	\$ 24.4	\$ 514.9
Gross Cost	\$ 100.0	\$ 150.8	\$ 20.1	\$ 146.3	\$ 10.5	\$ 427.7
Cost of Goods Sold	\$ 84.3	\$ 137.3	\$ 14.7	\$ 101.5	\$ 8.4	\$ 346.2
SG&A	\$ 15.7	\$ 13.5	\$ 5.4	\$ 44.8	\$ 2.1	\$ 81.5
Net Income/Seigniorage	\$ 17.5	\$ 15.9	\$ 4.8	\$ 35.1	\$ 13.9	\$ 87.2
Numismatic Net Margin	14.9%	9.5%	19.3%	19.3%	57.0%	16.9%

2007 and 2008 Proof and Uncirculated Sets augmented FY 2008 revenue. Sales of new Presidential \$1 Coin and Annual Dollar Coin Uncirculated Sets, released at the end of the 2007 calendar year, also boosted recurring revenue. Net income increased 133.7 percent from \$8.3 million in FY 2007 to \$19.4 million in FY 2008.

Numismatic Sales of Circulating Coinage

Introduction of the 50 State Quarters[®] and Presidential \$1 Coin Programs increased collector demand for newly minted circulating coins. The United States Mint

typically sells circulating coins in bags and rolls directly to the public. Sales revenue equals the face value of the coins sold. Any additional revenue above the face value or production costs (whichever is higher) and any additional expenses incurred are included in recurring programs results. The total face value from the sale of circulating coinage fell 18.0 percent to \$29.6 million in FY 2008 from \$36.1 million in FY 2007. Seigniorage decreased to \$22.5 million in FY 2008 from \$27.1 million last year.

2008 Operating Results:

Bullion

Bullion Products

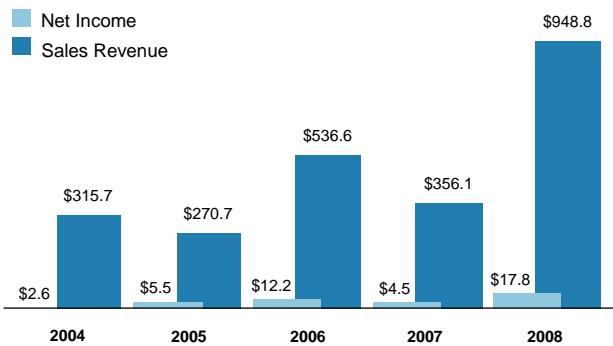
The United States Mint manufactures and issues gold, silver and platinum bullion coins through American Eagle Bullion Coin and American Buffalo Bullion Coin Programs. These coins are typically purchased by investors seeking a simple, tangible means of owning precious metals. The United States Mint sells bullion coins to authorized purchasers, which include precious metal and coin dealers, brokerage companies and participating banks. Authorized purchasers agree to maintain an open, two-way market for these coins, assuring their liquidity. This ensures that the public can purchase coins from and sell coins to authorized purchasers at the prevailing market price, adjusting for any premium the authorized purchaser applies.

The United States Mint purchases precious metal on the open market at the time of an order. Coins are sold to authorized purchasers at the same market price paid for the metal plus a premium to cover bullion program operating costs. The purpose of the bullion programs is to make precious metal coins available at minimal cost to investors. Consequently, the program is managed to nominal net margin.

Bullion Sales Revenue & Net Income

The bullion markets experienced unprecedented growth through most of FY 2008 with gold and silver prices reaching 20-year highs. As the value of metals increased, soaring demand for United States Mint bullion products generated record sales revenue. Total bullion revenue increased 166.4 percent from \$356.1 million in FY 2007 to \$948.8 million in FY 2008. From last year, the United States Mint sold 200.0 percent and 122.8 percent more ounces of gold and silver bullion

Bullion Sales Revenue and Net Income
(Dollars in millions)



coins, respectively. Efficient use of production capacity allowed the United States Mint to achieve such unprecedented production volumes without incurring additional operating costs.

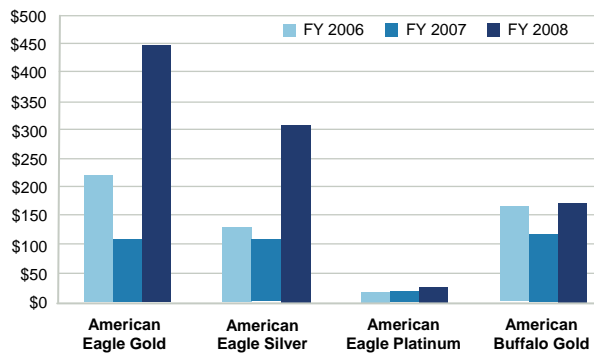
While gross cost increased 164.8 percent from FY 2007 as market prices peaked, COGS made up a smaller portion of total sales revenue. As with the numismatic program, bullion program revenue made up a larger portion of the United States Mint total revenue in FY 2008. Consequently, a greater portion of general and administrative expense was allocated to the bullion program. SG&A cost did increase significantly from FY 2007, but made up only a small portion of total gross cost.

Net income rose to \$17.8 million in FY 2008 from \$4.5 million in FY 2007. The bullion program was successfully managed to just below the standard net margin of 2 percent.

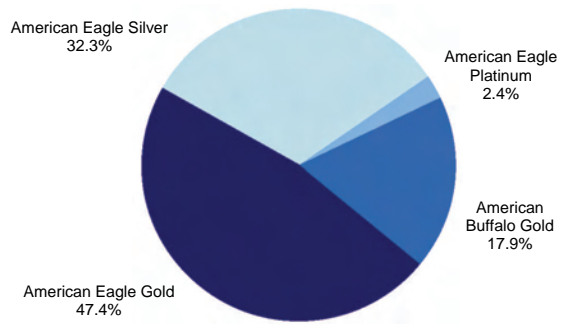
Bullion (Dollars in millions)

	2008	2007	2006	2005	2004	% Change 2007 to 2008
Sales Revenue	\$ 948.8	\$ 356.1	\$ 536.6	\$ 270.7	\$ 315.7	166.4%
Gross Cost	\$ 931.0	\$ 351.6	\$ 524.4	\$ 265.2	\$ 313.1	164.8%
Cost of Goods Sold	\$ 922.6	\$ 350.0	\$ 523.0	\$ 264.4	\$ 312.5	163.6%
SG&A	\$ 8.4	\$ 1.6	\$ 1.4	\$ 0.8	\$ 0.6	425.0%
Net Income	\$ 17.8	\$ 4.5	\$ 12.2	\$ 5.5	\$ 2.6	295.6%
Bullion Net Margin	1.9%	1.3%	2.3%	2.0%	0.8%	

Sales Revenue by Bullion Product Program (Dollars in millions)



FY 2008 Bullion Sales Revenue by Product Program



Results by Product Program

Sales of American Eagle gold and silver bullion products drove most of the revenue growth in FY 2008. American Eagle 22-karat gold bullion sales revenue increased 307.6 percent to \$449.6 million from \$110.3 million in FY 2007. American Eagle silver bullion sales revenue rose 178.0 percent to \$306.4 million from \$110.2 million last year. Revenue from the sales of these two products alone made up 79.7 percent of total bullion sales revenue in FY 2008. Net income from both American Eagle gold and silver bullion coins increased in FY 2008 as COGS made up a smaller portion of revenue. American Eagle gold net income increased from \$1.2 million in FY 2007 to \$10.2 million in FY 2008. American Eagle silver net income rose to \$5.0 from \$1.2 million last year.

Sales of American Buffalo 24-karat gold and American Eagle platinum bullion coins increased in FY 2008, but not to the same extent as the American Eagle gold and silver coins. American Buffalo 24-karat gold bullion sales revenue increased 45.0 percent to \$170.4 million from \$117.5 million in FY 2007. American Buffalo gold net income remained at \$1.7 million. American Eagle platinum sales increased 23.8 percent to \$22.4 million from \$18.1 million in FY 2007. Net income for American Eagle platinum coins grew from \$0.4 million to \$0.9 million.

Precious Metal Markets & Supply

Constraints

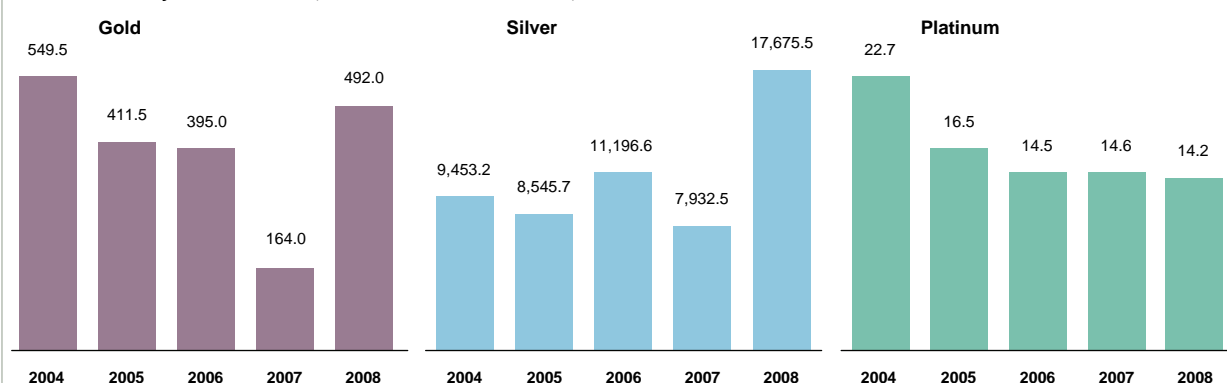
The bullion markets experienced unprecedented growth through most of FY 2008. The average daily spot price for the month of September increased 104.8 percent for gold, 93.7 percent for silver and 44.3 percent for platinum between 2004 and 2008^(a). Daily spot prices appeared to have peaked in the middle of FY 2008. However, concerns over the stability of financial markets at the close of FY 2008 drove investors back to commodities, especially gold, as potential safe havens.

Production capacity and the volume of precious metal blanks our suppliers can timely provide limit the number of bullion products the United States Mint can produce and sell. In FY 2008, the United States Mint temporarily suspended the sale of certain bullion products because inventories were insufficient to meet unprecedented demand. American Eagle silver bullion sales were initially suspended in February 2008. Sales resumed at the beginning of March but were quickly suspended again. To ensure equitable distribution of available inventory, the United States Mint initiated an allocation program for American Eagle silver bullion in April 2008. The United States Mint suspended sales of American Eagle gold bullion in August 2008, but sales were quickly resumed under a similar allocation program. Sales of the American Buffalo gold coin were also temporarily halted at the end of August 2008. The United States Mint resumed sales under an allocation program at the start of FY 2009.

Precious Metal Daily Spot Price^(a) (Prices in dollars per troy ounce)



(a) London Bullion Market Association London PM spot price for gold and platinum and spot price for silver.

Bullion Sales by Precious Metal (Ounces of bullion sold in thousands)

FY 2008 Bullion Revenue, Cost and Net Income by Program (Dollar in millions)

	American Eagle Gold	American Eagle Silver	American Eagle Platinum	American Buffalo Gold	Total
Sales Revenue	\$ 449.6	\$ 306.4	\$ 22.4	\$ 170.4	\$ 948.8
Gross Cost	\$ 439.4	\$ 301.4	\$ 21.5	\$ 168.7	\$ 931.0
Cost of Goods Sold	\$ 435.3	\$ 299.3	\$ 21.2	\$ 166.8	\$ 922.6
SG&A	\$ 4.1	\$ 2.1	\$ 0.3	\$ 1.9	\$ 8.4
Net Income	\$ 10.2	\$ 5.0	\$ 0.9	\$ 1.7	\$ 17.8
Bullion Net Margin	2.3%	1.6%	4.0%	1.0%	1.9%

FY 2007 Bullion Revenue, Cost and Earnings by Program (Dollar in millions)

	American Eagle Gold	American Eagle Silver	American Eagle Platinum	American Buffalo Gold	Total
Sales Revenue	\$ 110.3	\$ 110.2	\$ 18.1	\$ 117.5	\$ 356.1
Gross Cost	\$ 109.1	\$ 109.0	\$ 17.7	\$ 115.8	\$ 351.6
Cost of Goods Sold	\$ 108.7	\$ 108.6	\$ 17.5	\$ 115.2	\$ 350.0
SG&A	\$ 0.4	\$ 0.4	\$ 0.2	\$ 0.6	\$ 1.6
Net Income	\$ 1.2	\$ 1.2	\$ 0.4	\$ 1.7	\$ 4.5
Bullion Net Margin	1.1%	1.1%	2.2%	1.4%	1.3%

FY 2006 Bullion Revenue, Cost and Earnings by Program (Dollar in millions)

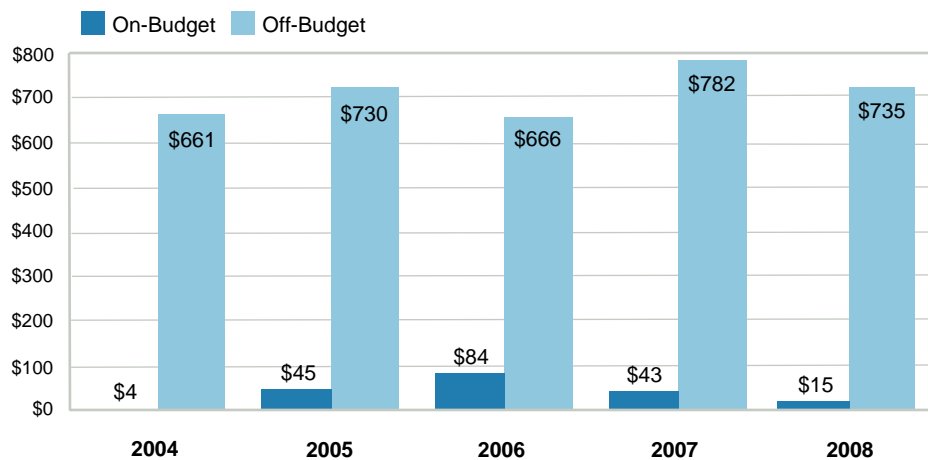
	American Eagle Gold	American Eagle Silver	American Eagle Platinum	American Buffalo Gold	Total
Sales Revenue	\$ 222.9	\$ 130.5	\$ 15.4	\$ 167.8	\$ 536.6
Gross Cost	\$ 217.7	\$ 127.1	\$ 14.8	\$ 164.8	\$ 524.3
Cost of Goods Sold	\$ 217.1	\$ 126.9	\$ 14.7	\$ 164.3	\$ 522.9
SG&A	\$ 0.6	\$ 0.2	\$ 0.1	\$ 0.5	\$ 1.4
Net Income	\$ 5.2	\$ 3.4	\$ 0.6	\$ 3.0	\$ 12.2
Bullion Net Margin	2.3%	2.6%	3.9%	1.8%	2.3%

Transfer to the Treasury General Fund

As required by Public Law 104-52, the United States Mint transfers all revenue not required for current and anticipated operations to the Treasury General Fund, retaining only the amount required by the Public Enterprise Fund (PEF) to support United States Mint operations and programs.

In FY 2008, the United States Mint transferred a total of \$750 million to the Treasury General Fund. This total included \$735 million transferred off-budget and \$15 million transferred on-budget. The off-budget transfer contains seigniorage, the financing source resulting from the sale of circulating coins. The on-budget transfer represents FY 2007 numismatic profits transferred to the Treasury General Fund in FY 2008. In comparison, the United States Mint transferred \$782 million off-budget, and \$43 million on-budget, for a total transfer of \$825 million during FY 2007. Prior year retained earnings and current year financing sources were sufficient to cover existing obligations and liabilities of the PEF.

On-Budget and Off-Budget Transfers to the Treasury General Fund
(Dollars in millions)



Performance Goals, Objectives and Results

Overview As mandated by the Government Performance & Results Act (GPRA) of 1993, agencies are to identify critical activities, devise pertinent performance measures, and report on these activities to the President and Congress.

In FY 2008, the United States Mint developed new strategic goals focused on brand identity, product portfolio, artistic excellence, improving efficiency, and developing an optimal workforce and workplace. Performance measures indicating our progress in achieving each of these goals were presented earlier in this report. To assess our performance on primary budget activities, the United States Mint monitors three key performance measures.

Conversion Cost per 1,000 Coin

Equivalents The United States Mint's costs vary by the volume and mix of products sold each year. This makes it difficult to compare operating results from year to year. A coin equivalent (CE) calculation is used to convert production output to a common denominator based on a fixed product cost ratio. Total production costs, excluding metal and fabrication, are then divided by this standardized production level to obtain the conversion costs per 1,000 coin equivalents. Standardized output allows comparison of performance over time by negating the effect of varying product volume and mix on cost. In FY 2008, the target for this measure was redefined as a percentage from a baseline. Essentially, the baseline is an estimate of the expected total conversion cost for the volume of CEs produced based on historic cost and CE data. The dollar value of the baseline for a year's expected conversion costs is dependent on the actual volume of CEs produced.

In FY 2008, the conversion cost was \$8.46 per 1000 CEs, 11.0 percent above the baseline of \$7.62. CE production decreased to 21.3 billion in FY 2008 from

24.0 billion in FY 2007, due to significantly lower Federal Reserve Banks (FRB) orders for circulating coins. The United States Mint was unable to significantly reduce conversion costs in FY 2008 because of sustained fixed costs and rising energy and fuel costs. As production volumes declined, these costs were spread over fewer CEs, resulting in a higher overall cost per 1000 CEs.

Conversion Cost per 1,000 Coin Equivalents



The United States Mint plans to focus on improving overall efficiency in FY 2009 by reducing machine downtime and the volume of scrap. Efficiency gains are expected to reduce conversion cost in future years.

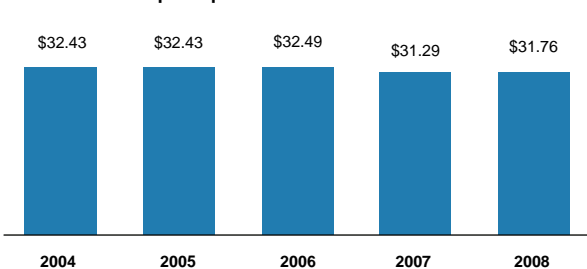
Protection Cost per Square Foot Protection cost per square foot is calculated as the Office of Protection's total operating cost divided by the area of usable space of the United States Mint. Protection's total operating costs excludes depreciation expense because it is a non-cash outlay. Usable space is defined as 90 percent of total square footage. The measure indicates the Office of Protection's efficiency in safeguarding United States Mint facilities, employees and assets. Total square footage of usable space is relatively constant and only changes with major events such as the addition or removal of a facility. There was no change to total square footage of usable space in FY 2008.

Protection cost per square foot was \$31.76 in FY 2008,

Budget Performance Measures	FY 2008 Result	FY 2008 Target	FY 2007	FY 2006	FY 2005	FY 2004
Conversion Cost per 1,000 Coin Equivalents	11.0%	0.0%	\$ 7.23	\$ 7.55	\$ 7.42	\$ 7.42
Protection Cost per Square Foot	\$ 31.76	\$ 32.50	\$ 31.29	\$ 32.49	\$ 32.43	\$ 32.43
Total Losses	\$ —	\$ 5,000	\$ 223	\$ 10,467	\$ 3,490	\$ 2,773

below the target of \$32.50. The United States Mint is restating the FY 2007 results, originally reported as \$31.75. The restated figure of \$31.29 excludes depreciation expense. Figures for FY 2004 through FY 2006 exclude depreciation expense and are not restated. While FY 2008 Protection cost per square foot remained below the target, it increased from FY 2007. Contracted services expense increased by 52 percent in FY 2008 due to a one-time charge for a prior year research and development project not fully capitalized and an increase in charges from other federal agencies. Replenishing firearm and emergency supplies increased supply costs by 43 percent from last year. The Office of Protection did reduce expenses for overtime and travel in FY 2008 compared to FY 2007.

Protection Cost per Square Foot



The United States Mint Office of Protection will continue efforts to contain costs, while fulfilling protection responsibilities. Projects to automate entry and exit at facilities are expected to reduce the costs associated with these functions.

Total Losses The United States Mint performs its protection function by minimizing vulnerability to theft and preventing unauthorized access to critical assets. Total losses measure the dollar amount of losses incurred because of the realization of threats to the United States Mint. Total losses are classified in three categories based on cases that have been investigated and closed:

- *Financial Losses:* intentional monetary losses, thefts or fraud from metal reserves, produced coinage, retail sales and other administrative losses.
- *Cost of Intrusions:* the cost of repair or recovery from an intentional intrusion into United States Mint systems and facilities either electronically or physically.
- *Productivity Losses:* the cost of intentional damage or destruction to production capabilities, including related costs for continuity of operations.

As defined, total losses do not include losses incurred during the normal course of sales operations. Such losses are reported in the financial statements as cost of goods sold.

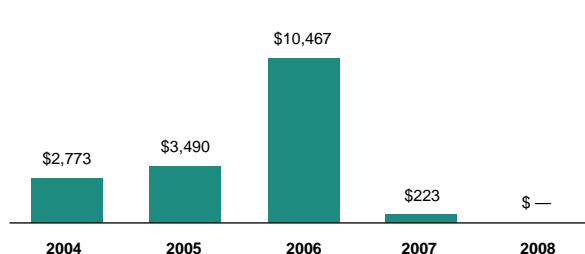
The United States Mint initiated a review of the total losses measure in FY 2008. Results of this review suggest that the definition of total losses does not capture information that is useful as a measure of performance. The majority of cases are referred to the Treasury Inspector General. Associated losses remain potential and are not reported in the total losses measure. As of September 30, 2008, 30 cases with potential losses totaling \$456,040.75 were referred for investigation. The following number of cases and associated potential dollar amounts were referred in prior fiscal years. Cases were largely classified as potential financial losses related to the sale of numismatic products to the public.

Cases Referred to the Office of the Inspector General

Fiscal Year	Number of cases	Potential Amount
2004	36	\$ 286,427.35
2005	12	\$ 132,515.65
2006	6	\$ 17,712.65
2007	0	\$ 0.00
2008	30	\$ 456,040.75

The measure has been defined as cases that are investigated and closed, with the result recorded in the fiscal year in which the case was closed. Cases that are investigated and closed internally by the Office of Protection relate more to production quality control and damage to administrative resources than realized threats to the United States Mint's assets. Last year we reported that the results were unavailable at the time of publication of the FY 2007 Annual Report pending our review of the measure. The review found that FY 2007 losses from closed cases were \$223, below the target of \$10,000. No losses are reported for FY 2008 because no cases were closed with unrecovered losses during the fiscal year. No cases have been opened because of intrusions or productivity losses in the past five fiscal years. The review has identified shortcomings in the use of total losses as a performance measure. To be useful to management, a performance measure should present timely information. The United States Mint will discontinue the use of the total losses measure but continue to review information on investigations and potential financial loss cases to ensure proper procedures and internal controls policies are in place.

Total Losses



Analysis of Systems, Controls and Legal Compliance

Management Assurances

The United States Mint management is responsible for establishing and maintaining adequate internal control over financial reporting, which includes safeguarding of assets and compliance with laws and regulations. The United States Mint has made a conscious effort to meet the internal control requirements of the Federal Manager's Financial Integrity Act (FMFIA), the Federal Financial Management Improvement Act (FFMIA), Office of Management and Budget (OMB) Circular A-123, and the Reports Consolidation Act of 2000. The organizations under the United States Mint's purview are operating in accordance with the procedures and standards prescribed by the Comptroller General and Office of Management and Budget guidelines.

The systems of management controls for the United States Mint are designed to ensure that:

- a) Programs achieve their intended results;
- b) Resources are used consistent with overall mission;
- c) Programs and resources are free from waste, fraud and mismanagement;
- d) Laws and regulations are followed;
- e) Controls are sufficient to minimize any improper or erroneous payments;
- f) Performance information is reliable;
- g) Systems security is in substantial compliance with relevant requirements;
- h) Continuity of operations planning in critical areas is sufficient to reduce risk to reasonable levels; and
- i) Financial management systems are in compliance with Federal financial systems standards, i.e., FMFIA Section 4 and FFMIA.

For all United States Mint responsibilities, we provide herein qualified assurance that the above listed management control objectives, taken as a whole, were achieved by our office during FY 2008. Specifically, this assurance is provided relative to Sections 2 and 4 of FMFIA. We further assure that our financial management systems are in substantial compliance with the requirements imposed by FFMIA.

In 2008, we conducted a full scale assessment of internal controls, including the mandatory Treasury test items, to evaluate the effectiveness of United States Mint internal control over financial reporting in accordance with OMB Circular A-123, *Management's Responsibility for Internal Control* at the entity, process and transaction level. The assessment was conducted by a) documenting policies, procedures and processes; b) identifying relevant control points within the processes; and c) conducting transaction level testing to evaluate the effectiveness of the identified controls.

Based on the results of this evaluation, the United States Mint identified one material weakness in its internal controls over financial reporting for the period ending June 30, 2008. This material weakness was an aggregate result of internal control failures surrounding the financial statement line item *Inventory and Related Property*. Other than the one material weakness noted below, the United States Mint can provide a qualified assurance that internal control over financial reporting as of June 30, 2008 is operating effectively.

United States Mint
A-123 Material Weakness from the Annual Assessment of Internal Control
June 30, 2008

Overall Finding: Material Weakness because of an aggregate result of internal control failures surrounding the financial statement line item *Inventory and Related Property*.

Summary of Material Weakness: As a result of the annual assessment of internal controls conducted in accordance with guidance by OMB Circular A-123, we have identified one material weakness in internal controls as it relates to the financial reporting of *Inventory and Related Property* on the United States Mint's financial statements. This material weakness is an aggregate result of inventory-related internal control failures that can be summarized as failures to:

- properly date and sign government bills of lading, shipping documents and authorizations;
- enter system transactions in a timely manner for inventory receipts, movements and adjustments;
- maintain appropriate documentation for inventory receipts, movements and adjustments;
- comply with existing inventory counting standard operating procedures (SOPs) for conducting quarterly physical inventories;
- reconcile the actual physical inventory of goods sold with the United States Mint's CamData POS system for conventions and sales counters;
- properly document the receipt and departure counts of merchandise with proper signatures for conventions and sales counter space; and
- conduct quarterly physical inventories for all United States Mint sales counters.

Corrective Action Plan: The Senior Management Council (SMC) and Senior Assessment Team (SAT) developed a corrective action plan to address this material weakness. The corrective action plan addresses the specific issues related to the material weakness through a multi-tiered approach which includes: a) the development and implementation of SOPs and Directives; b) the assignment of employee accountability for compliance with SOPs and Directives; c) employee training in inventory related SOPs and Directives; and d) validation by the United States Mint's Office of Internal Control (OIC) that the corrective actions have been completed. The Corrective Action Plan has been entered into Treasury's JAMES (Joint Audit Management Enterprise) System.

The United States Mint is committed to resolving this material weakness. The SAT will provide the SMC with monthly updates on the progress of closing out all corrective actions. As of November 15, 2008, we have closed out all but one of the corrective actions. We anticipate closing out the remaining corrective action by December 15, 2008.

Limitations of the Financial Statements

The principal financial statements have been prepared to report the financial position and results of operations of the United States Mint, pursuant to the requirements of 31 U.S.C. § 3515(b). The statements have been prepared from the books and records of the United States Mint in accordance with generally accepted accounting principles for Federal entities and the formats prescribe by the Office of Management and Budget (OMB). The statements are in addition to the financial reports used to monitor and control budgetary resources which are prepared from the same books and records. The statements should be read with the realization that they are for a component of the United States Government.



KPMG LLP
2001 M Street, NW
Washington, DC 20036

Independent Auditors' Report

Inspector General
United States Department of the Treasury

Director
United States Mint:

We have audited the accompanying balance sheets of the United States Mint as of September 30, 2008 and 2007, and the related statements of net cost, changes in net position, and combined statements of budgetary resources (hereinafter referred to as "financial statements") for the years then ended. These financial statements are the responsibility of the United States Mint's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 07-04 require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the United States Mint's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the United States Mint as of September 30, 2008 and 2007, and its net costs, changes in net position, and budgetary resources for the years then ended in conformity with U.S. generally accepted accounting principles.

The information in the Management's Discussion and Analysis, and Required Supplementary Information, is not a required part of the financial statements, but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this information. However, we did not audit this information and, accordingly, we express no opinion on it.



In accordance with *Government Auditing Standards*, we have also issued our reports dated December 3, 2008, on our consideration of the United States Mint's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and contracts and other matters. The purpose of those reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in assessing the results of our audits.

KPMG LLP

December 3, 2008

Balance Sheets

Department of the Treasury United States Mint

(Dollars in thousands)	As of September 30,	
	2008	2007
Assets		
Intragovernmental:		
Fund Balance with Treasury (Note 3)	\$303,386	\$255,731
Accounts Receivable, Net (Note 4)	399	5,870
Advances and Prepayments (Note 5)	4,292	4,452
Total Intragovernmental Assets	308,077	266,053
Custodial Gold and Silver Reserves (Notes 2 and 6)	10,493,740	10,493,740
Accounts Receivable, Net (Note 4)	23,411	80,279
Inventory and Related Property (Notes 7 and 20)	470,957	418,072
Supplies	16,206	14,635
Property, Plant and Equipment, Net (Note 8)	207,634	218,014
Advances and Prepayments (Note 5)	4,656	1,805
Total Assets (Notes 2 and 14)	\$11,524,681	\$11,492,598
Heritage Assets (Note 9)		
Liabilities		
Intragovernmental:		
Accounts Payable	\$6,425	\$509
Accrued Workers' Compensation and Benefits	7,259	7,117
Unearned Revenues	—	156
Total Intra-governmental Liabilities	13,684	7,782
Custodial Liability to Treasury (Notes 2 and 6)	10,493,740	10,493,740
Accounts Payable	42,562	60,096
Surcharges payable (Note 3)	11,314	6,526
Accrued Payroll and Benefits	16,635	15,353
Other Actuarial Liabilities	29,349	29,704
Unearned Revenues	11,023	1,891
Total Liabilities (Notes 10 and 14)	\$10,618,307	\$10,615,092
Commitments and Contingencies (Notes 12 and 13)		
Net Position		
Cumulative Results of Operations - Earmarked Funds (Note 14)	906,374	877,506
Total Liabilities and Net Position	\$11,524,681	\$11,492,598

The accompanying notes are an integral part of these financial statements.

Statements of Net Cost

Department of the Treasury United States Mint

For the Years Ended September 30,
2008 2007

(Dollars in thousands)

Numismatic Production and Sales		
Gross Cost	\$1,398,624	\$818,184
Less Earned Revenue	(1,476,433)	(871,472)
Net Program Revenue	(77,809)	(53,288)
Numismatic Production and Sales of Circulating Coins		
Gross Cost	7,128	9,011
Less Earned Revenue	(7,128)	(9,011)
Net Program Revenue	—	—
Circulating Production and Sales		
Gross Cost	588,308	722,582
Less Earned Revenue (Note 16)	(588,308)	(722,582)
Net Program Revenue	—	—
Net Revenue Before Protection of Assets	(77,809)	(53,288)
Protection of Assets		
Protection Costs	41,000	37,683
Net Cost of Protection of Assets	41,000	37,683
Net Revenue from Operations (Notes 14 and 15)	(\$36,809)	(\$15,605)

The accompanying notes are an integral part of these financial statements.

Statements of Changes in Net Position

Department of the Treasury United States Mint

For the Years Ended September 30,
2008 2007

(Dollars in thousands)

Cumulative Results of Operations		
Net Position, Beginning of Year - Earmarked Funds (Note 14)	\$877,506	\$643,597
Financing Sources:		
Transfers to the Treasury General Fund On-Budget (Note 19)	(15,000)	(43,000)
Transfers to the Treasury General Fund Off-Budget (Note 19)	(735,000)	(782,000)
Other Financing Sources (Seigniorage) (Note 16)	728,638	1,032,284
Imputed Financing Sources (Note 11)	13,421	11,020
Total Financing Sources	(7,941)	218,304
Net Revenue from Operations	36,809	15,605
Net Position, End of Year - Earmarked Funds (Note 14)	\$906,374	\$877,506

The accompanying notes are an integral part of these financial statements.

Statements of Budgetary Resources

Department of the Treasury United States Mint

For the Years Ended September 30,
2008 2007

(Dollars in thousands)

Budgetary Resources	2008	2007
Unobligated balance, brought forward, October 1	\$53,088	\$40,549
Recoveries of prior-year unpaid obligations	26,759	15,389
Budget authority		
Spending authority from offsetting collections		
Earned		
Collected	2,066,420	1,863,258
Change in receivable from federal sources	476	5,870
Change in unfilled customer orders		
Advance received	8,976	2,047
Without advance from federal sources	741	30
Subtotal	2,076,613	1,871,205
Permanently not available	(15,000)	(43,000)
Total Budgetary Resources	\$2,141,460	\$1,884,143
Status of Budgetary Resources		
Obligations incurred		
Reimbursable (Note 17)	\$2,090,602	\$1,831,055
Unobligated balances		
Apportioned	50,858	53,088
Total Status of Budgetary Resources	\$2,141,460	\$1,884,143
Change in Obligated Balances		
Obligated balance, net		
Unpaid obligations, brought forward, October 1	\$208,543	\$179,561
Less: Uncollected customer payments from federal sources, brought forward, October 1	(5,900)	—
Total unpaid obligated balance, net	202,643	179,561
Obligations incurred, net (Note 17)	2,090,602	1,831,055
Gross outlays	(2,012,741)	(1,786,683)
Recoveries of prior-year unpaid obligations, actual	(26,759)	(15,389)
Change in uncollected customer payments from federal sources	(1,217)	(5,900)
Obligated balance, net, end of the period		
Unpaid obligations	259,645	208,543
Uncollected customer payments from federal sources	(7,117)	(5,900)
Total unpaid obligated balance, net, end of period	252,528	202,643
Net Outlays		
Net outlays		
Gross outlays	2,012,741	1,786,683
Collections	(2,075,396)	(1,865,305)
Total Outlays	(\$62,655)	(\$78,622)

The accompanying notes are an integral part of these financial statements.

Notes to the Financial Statements

For the Years Ended September 30, 2008 and 2007

Department of the Treasury
United States Mint

(Dollars are in thousands except Fine Troy Ounce information)

1. Summary of Significant Accounting Policies

Reporting Entity Established in 1792, the United States Mint is a bureau of the Department of the Treasury (Treasury). The men and women of the United States Mint serve the Nation by exclusively and efficiently creating the highest quality, most beautiful and inspiring coins and medals that: enable commerce; reflect American values; advance artistic excellence; educate the public by commemorating people, places and events; and fulfill retail demand for coins. Numismatic products include medals; proof coins; uncirculated coins; platinum, gold, and silver bullion coins; and commemorative coins. Custodial assets consist of the United States' gold and silver metal reserves. These custodial reserves are often referred to as "deep storage" and "working stock," and are reported on the Balance Sheet.

The production of numismatic products is financed principally through sales to the public. The production of circulating coinage is financed through sales of coins at face value to the Federal Reserve Banks. Activities related to protection of Treasury-owned custodial assets are funded by revenues and other financing sources received by the United States Mint Public Enterprise Fund (PEF).

Pursuant to Public Law (P.L.) 104-52, *Treasury, Postal Service, and General Government Appropriation Act for FY 1996*, as codified at 31 U.S.C. § 5136, the PEF was established to account for all receipts and expenses related to production and sale of numismatic items and circulating coinage and protection activities. Expenses accounted for in this fund include the cost of metals and fabrication and transportation of metals used in circulating and numismatic coin production and costs of transporting circulating coinage between the United States Mint production facilities and Federal Reserve Banks (FRB). Metals used in circulating and numismatic coin production include nickel, copper, zinc, manganese, gold, silver, and platinum, as well as smaller quantities of other base metals. Other costs/expenses accounted for in this fund include costs related to research and development and purchases of equipment, as well as capital improvements and protection costs. P.L. 104-52 states that any amount in the PEF that is determined to be in excess of the amount required by the PEF shall be transferred to the Treasury

General Fund.

Treasury's Bullion Fund (Bullion Fund) is used to account for United States gold and silver reserves. A separate Schedule of Custodial Deep Storage Gold and Silver Reserves has been prepared for the deep storage portion of the Treasury gold and silver reserves for which the United States Mint acts as custodian.

Basis of Accounting and Presentation The accompanying Financial Statements were prepared in conformity with the reporting format promulgated by the Office of Management and Budget (OMB) Circular A-136, *Financial Reporting Requirements*, and in accordance with accounting standards issued by the Federal Accounting Standards Advisory Board (FASAB). The United States Mint's financial statements have been prepared to report the financial position, net cost of operations, changes in net position, and budgetary resources, as required by P.L. 104-52.

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates. Accounts subject to estimates include depreciation, imputed costs, payroll and benefits, accrued worker's compensation, allowance for uncollectible accounts receivable, and unemployment benefits.

The accompanying financial statements have been prepared on the accrual basis of accounting. Under the accrual method, revenues and other financing sources are recognized when earned and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash.

Earned Revenues and Other Financing Source

(Seigniorage) Circulating Sales: P.L. 104-52, establishing the PEF, provides for the sale of circulating coinage at face value to the FRB. Revenue from the sale of circulating coins is recognized when the product is shipped to the FRB.

Revenue from the sale of circulating coins to the FRB and numismatic sales of circulating coins is limited to the recovery of the cost of manufacturing those coins.

Other Financing Source (Seigniorage) is the face value of newly minted coins less the cost of production (which includes the cost of the metal, manufacturing, and transportation). Seigniorage is the profit from coining money. Seigniorage adds to the government's cash balance, but unlike the payment of taxes or other receipts, it does not involve a transfer of financial assets from the public. Instead, it arises from the exercise of the Government's sovereign power to create money and the public's desire to hold financial assets in the form of coins. Therefore, the President's Budget excludes seigniorage from receipts and treats it as a means of financing. The President's Budget also treats profits resulting from the sale of gold as a means of financing because the value of gold is determined by its value as a monetary asset rather than as a commodity. Other financing source (seigniorage) is recognized when coins are shipped to the FRB in return for deposits to the PEF.

Numismatic Sales: Revenue from numismatic sales to the public is recognized when products are shipped to customers. Prices for numismatic products are based on the product cost plus a reasonable net margin. Bullion products are priced based on the market price of the precious metals plus a premium to cover manufacturing costs.

Rental Revenue: The United States Mint receives rental revenue from floor space that is subleased in two United States Mint facilities located in Washington, D.C. The space is subleased at cost to other Federal government entities. For the purpose of presentation, rental revenue is combined with numismatic sales on the statement of net cost.

Fund Balance with Treasury All cash is maintained at the Treasury. Fund Balance with Treasury is the aggregate amount of the United States Mint's cash accounts with the U.S. Government's central accounts from which the United States Mint is authorized to make expenditures and pay liabilities. It is an asset because it represents the United States Mint's claim to the U.S. Government resources.

Accounts Receivable Accounts receivable are amounts due to the United States Mint from the public and other Federal agencies. An allowance for uncollectible customer accounts receivable from the public is established for all accounts that are more than 180 days past due. However, the United States Mint will continue collection action on those accounts that are more than 180 days past due as specified by the Debt Collection Improvement Act of 1996.

Inventories and Related Property Inventories of

circulating and numismatic coinage that do not contain either gold or silver are valued at the lower of cost or market. Costs of the metal and fabrication components of the inventories are determined using a weighted average inventory methodology. Conversion costs (i.e., the cost to convert the fabricated blank into a finished coin) are valued using a standard cost methodology.

Numismatic coinage containing Treasury-owned gold and silver does not include the value of the Treasury-owned gold or silver because the metals are non-entity assets. The costs of those metals appear as "Custodial Gold and Silver Reserves" on the Balance Sheet and are valued at the statutory rates of \$42.2222 per fine troy ounce (FTO) of gold and no less than \$1.292929292 per FTO of silver. Accordingly, the United States Mint values silver at \$1.292929292 per FTO.

United States Mint-owned platinum, gold, and silver are valued at the lower of cost or market using a weighted average inventory methodology.

Custodial Gold and Silver Reserves Custodial gold and silver reserves consist of both "deep storage" and "working stock" gold and silver.

Deep Storage is defined as that portion of the U.S. Government-owned gold and silver Bullion Reserve which the United States Mint secures in sealed vaults. Deep storage gold comprises the vast majority of the Bullion Reserve and consists primarily of gold bars. Deep storage silver is also primarily in bar form.

Working Stock is defined as that portion of the U.S. Government-owned gold and silver Bullion Reserve which the United States Mint can use as the raw material for minting coins. Working stock gold comprises only about one percent of the Gold Bullion Reserve and consists of bars, blanks, unsold coins, and condemned coins. Similarly, working stock silver consists of bars, blanks, unsold coins, or condemned coins.

Treasury allows the United States Mint to use some of its gold and silver as working stock. Generally, the United States Mint will replace the working stock when used in production with purchases of gold and silver on the open market. In those cases in which the gold or silver is not replaced, the United States Mint reimburses Treasury the market value of the depleted gold or silver.

Supplies Supplies are items that are not considered inventory and are not a part of the finished product. These items include plant engineering and maintenance supplies. Supplies are accounted for using the consumption method, in which supplies are recognized

as assets upon acquisition and expensed as they are consumed.

Advances and Prepayments Payments in advance of the receipt of goods and services are recorded as advances and prepaid expenses at the time of prepayment, and are expensed when related goods and services are received.

Property, Plant and Equipment Property, plant and equipment are valued at cost less accumulated depreciation. The United States Mint's threshold for capitalizing new property, plant and equipment is \$25,000 for single purchases and \$500,000 for bulk purchases. Depreciation is computed on a straight-line basis over the estimated useful lives of the related assets as follows:

Computer Equipment	3 to 5 years
ADP Software	2 to 10 years
Machinery and Equipment	7 to 20 years
Structures, Facilities and Leasehold Improvements	10 to 30 years

Major alterations and renovations are capitalized over the shorter of a 20-year period or the remaining useful life of the asset and depreciated using the straight-line method, while maintenance and repair costs are charged to expense as incurred. There are no restrictions on the use or convertibility of general property, plant and equipment.

Heritage Assets Heritage assets are items that are unique because of their historical, cultural, educational, or artistic importance. These items are collection type assets that are maintained for exhibition and are preserved indefinitely.

Liabilities Liabilities represent actual and estimated amounts likely to be paid as a result of transactions or events that have already occurred. All liabilities covered by budgetary resources can be paid from revenues received from the United States Mint PEF.

Surcharges Legislation authorizing commemorative programs often requires that the PEF remit a portion of the sales proceeds to recipient organizations. These amounts are defined as surcharges. A surcharges payable account is established for surcharges collected but not yet paid to the designated recipient organization.

Pursuant to P.L. 104-208, *Omnibus Consolidated Appropriations for Fiscal Year 1997 (Act)*, recipient organizations cannot receive surcharge payments unless all of the United States Mint's operating costs for the

coin program are fully recovered. The United States Mint may make interim surcharge payments during a commemorative program if the recipient organization meets the eligibility criteria in the Act, if the profitability of the program is determinable, and if the United States Mint is assured it is not at risk of a loss. P.L. 108-15, *The American 5-Cent Coin Design Continuity Act of 2003*, contains a provision that recipient organizations have two years from the end of the program sales to meet the requirements of P.L. 104-208. If the requirements are not met within two years, the surcharges collected are to be deposited in the Treasury as miscellaneous receipts. Additionally, P.L. 108-15 changed the fundraising requirement for recipient organizations from an amount equal to the maximum surcharges possible based on the maximum mintage to an amount equal to the surcharges actually collected based on sales.

Earmarked Funds Pursuant to P.L. 104-52, the PEF was established as the sole funding source for United States Mint activities. The PEF meets the requirements of an earmarked fund as defined in SFFAS 27, *Identifying and Reporting Earmarked Funds*.

Unearned Revenues These are amounts received from customers for which the numismatic products have not been shipped. In the case of intragovernmental entities, unearned revenue is rental payments received in advance.

Return Policy If for any reason a customer is dissatisfied, the entire product must be returned within 30 days of receiving the order to receive a refund or replacement. Shipping charges are not refunded. Further, the United States Mint will not accept partial returns or issue partial refunds. Historically, the United States Mint receives very few returns, which are immaterial. Therefore, no reserve for returns is considered necessary.

Shipping and Handling The United States Mint reports shipping and handling cost as Cost of Goods Sold and not as part of Selling, General and Administrative expenses. General postage costs for handling administrative functions are reported as part of the United States Mint's General and Administrative Expenses.

Annual, Sick and Other Leave Annual leave is accrued when earned and reduced as leave is taken. The balance in the accrued leave account is calculated using current pay rates. Sick leave and other types of non-vested leave are charged to operating costs as they are used.

Accrued Workers Compensation and Other Actuarial Liabilities The Federal Employees' Compensation Act (FECA) provides income and medical cost protection to cover Federal civilian employees injured on the job, employees who have incurred a work-related injury or occupational disease, and to pay beneficiaries of employees whose deaths are attributable to job-related injuries or occupational disease. The FECA program is administered by the United States Department of Labor (DOL), which pays valid claims and subsequently seeks reimbursement from the United States Mint for these paid claims.

The FECA liability is based on two components. The first component is based on actual claims paid by DOL but not yet reimbursed by the United States Mint. There is generally a two-to-three-year time period between payment by DOL and reimbursement to DOL by the United States Mint. The second component is the actuarial liability, which estimates the liability for future payments as a result of past events. The actuarial liability includes the expected liability for death, disability, medical, and miscellaneous cost for approved compensation cases.

Protection Costs Virtually all of the Treasury's gold and majority of the silver reserves are in the custody of the United States Mint, which is responsible for safeguarding the reserves. These costs are borne by the United States Mint, but are not directly related to the circulating or numismatic coining operations of the United States Mint. Organizationally, the Protection Department, which is responsible for safeguarding the reserves, is a separate line of business from coining operations.

Other Cost and Expenses (Mutilated and Uncurrent) Other costs and expenses consist primarily of returns of mutilated or uncurrent coins to the United States Mint. Coins that are chipped, fused, and/or not machine-countable are considered mutilated. The United States Mint reimburses the entity that sent in the mutilated coins using weight formulas that estimate the face value of these coins. If the coins have melted (as in a fire), the United States Mint reimburses the entity an amount based on the metal content of the melted mass. Uncurrent coins are worn, but machine-countable, and their genuineness and denomination are still recognizable. Uncurrent coins are replaced with new coins of the same denomination by the FRB. All mutilated or uncurrent coins received by the United States Mint are shipped to a fabricator which purchases the returned metal and recycles it in the manufacture of coinage strip.

Tax Exempt Status As an agency of the Federal Government, the United States Mint is exempt from all income taxes imposed by any governing body, whether it is a Federal, state, commonwealth, local, or foreign government.

Concentrations The United States Mint purchases the coil and blanks used in the production of circulating coins from three vendors at competitive market prices.

Transfers to the Treasury General Fund The United States Mint transfers to the Treasury General Fund amounts in the PEF determined to be in excess of the amounts required for United States Mint operations and programs. These amounts are generated from the other financing source (seigniorage) derived from the sale of circulating coins and from net revenues generated from the sale of numismatic products.

Excess amounts generated from other financing source (seigniorage) are off-budget and deposited in the Treasury General Fund. Off-budget means that these funds cannot be used to reduce the annual budget deficit. Instead, they are used as a financing source (i.e., they reduce the amount of cash that Treasury has to borrow to pay interest on the national debt). Excess amounts from revenues generated from the sale of numismatic products less protection costs are on-budget and deposited in the Treasury General Fund. Unlike seigniorage, the numismatic transfer is available as current operating revenue or can be used to reduce the annual budget deficit.

Budgetary Resources The United States Mint receives all of its financing from the public and receives an apportionment from the OMB. This apportionment is considered a budgetary authority. The United States Mint's budgetary resources consist of unobligated balances, transfers, and spending authority from offsetting collections, which is net of amounts that are permanently not available. "Permanently not available" funds are on-budget numismatic transfers to the General Fund.

2. Non-Entity Assets

Components of Non-entity Assets at September 30 are as follows:

	2008	2007
Custodial Gold Reserves (Deep Storage)	\$10,355,539	\$10,355,539
Custodial Silver Reserves (Deep Storage)	9,148	9,148
Custodial Gold Reserves (Working Stock)	117,514	117,514
Custodial Silver Reserves (Working Stock)	11,539	11,539
Total Non-entity Assets	10,493,740	10,493,740
Total Entity Assets	1,030,941	998,858
Total Assets	\$11,524,681	\$11,492,598

Entity assets are assets that the reporting entity has authority to use in its operations. The United States Mint management has legal authority to use entity assets to meet entity obligations. However, all assets in the possession of the United States Mint are not entity assets. Treasury allows the United States Mint to use some of its gold and silver as working stock in the production of coins. The United States Mint must replace the working stock or pay the Treasury General Fund for the metal used. Thus, Treasury deep storage and working stock gold and silver are all considered non-entity assets.

3. Fund Balance with Treasury

Fund Balance with Treasury at September 30 consists of:

	2008	2007
Revolving Fund	\$303,386	\$255,731
Total Fund Balance with Treasury	\$303,386	\$255,731
Status of Fund Balance with Treasury		
Unobligated Balance	50,858	53,088
Obligated Balance, Not Yet Disbursed	252,528	202,643
Total	\$303,386	\$255,731

The United States Mint does not receive appropriated budget authority. The fund balance with Treasury is entirely available for use to support United States Mint operations. At September 30, 2008 and 2007, the revolving fund balance included \$11.3 million and \$6.5 million, respectively, in restricted amounts for possible payment of surcharges to recipient organizations.

4. Accounts Receivable, Net

Components of accounts receivable are as follows:

	September 30, 2008		
	Gross Receivables	Allowance	Net Receivables
Intragovernmental	\$6,345	(\$5,946)	\$399
With the Public	24,254	(843)	23,411
Total Accounts Receivable	\$30,599	(\$6,789)	\$23,810

	September 30, 2007		
	Gross Receivables	Allowance	Net Receivables
Intragovernmental	\$5,870	\$ —	\$5,870
With the Public	80,671	(392)	80,279
Total Accounts Receivable	\$86,541	(\$392)	\$86,149

At September 30, 2008, there were approximately \$6.3 million in intragovernmental accounts receivable, compared to \$5.9 million at September 30, 2007. This largely represents amounts due to the United States Mint for a joint numismatic product with another agency. Management determined that the collection of \$5.9 million related to the program was in doubt and has

included that amount in the Allowance for Doubtful Accounts for FY 2008. Receivables with the public at September 30, 2008 are \$24.3 million, which consist primarily of amounts owed by metal fabricators for scrap and webbing. This compares to receivables with the public at September 30, 2007, of \$80.7 million, which primarily consisted of \$77.1 million in accounts receivable from metal scrap and webbing sold to fabricators. The remainder of the accounts receivable represents outstanding balances on numismatic orders. The allowance for doubtful accounts is the balance of the accounts receivable with the public that is past due by 180 days or more. Collection action continues on these accounts, but an allowance is recorded.

5. Advances and Prepayments

The components of advances and prepayments at September 30 are as follows:

	2008	2007
Intragovernmental	\$4,292	\$4,452
With the Public	4,656	1,805
Total Other Assets	\$8,948	\$6,257

Intragovernmental advances and prepayments at September 30, 2008 and 2007, include \$2.5 million each year that the United States Mint paid the Treasury Working Capital Fund for a variety of centralized services. Also included in intragovernmental advances are the progress payments (advances) for equipment and building improvements under construction. The United States Mint completed an entity-wide security upgrade during FY 2008, which required progress payments to other federal agencies for construction and other related services. As of September 30, 2008 this advance had been liquidated, but as of September 30, 2007, the balance of the advance was \$1.1 million. The remaining balance of approximately \$1.8 million represents payments made to the United States Postal Service for product delivery services at September 30, 2008, compared to approximately \$810 thousand paid at September 30, 2007.

Advances and Prepayments with the public consist primarily of advances for freight forwarding.

6. Custodial Gold and Silver Reserves

As custodian, the United States Mint is responsible for safeguarding much of the Nation's gold and silver reserves, which include deep storage and working stock. The asset and the custodial liability to Treasury are reported on the Balance Sheet at statutory rates. In accordance with 31 U.S.C. § 5117(b) and 31 U.S.C. § 5116(b)(2), statutory rates of \$42.2222 fine troy ounce (FTO) of gold and no less than \$1.292929292 per FTO of silver, respectively, are used to value the entire

custodial reserves held by the United States Mint. Accordingly, the United States Mint values the silver at \$1.292929292 per FTO.

The market value for gold and silver at September 30 is determined by the London Gold Fixing (PM) rate. Amounts and values of custodial gold and silver in custody of the United States Mint at September 30 are as follows:

	2008	2007
Gold - Deep Storage:		
Inventories (FTO)	245,262,897	245,262,897
Market Value (\$ per FTO)	\$884.50	\$743.00
Market Value (\$ in thousands)	\$216,935,032	\$182,230,333
Statutory Value (\$ in thousands)	\$10,355,539	\$10,355,539
Gold - Working Stock:		
Inventories (FTO)	2,783,219	2,783,219
Market Value (\$ per FTO)	\$884.50	\$743.00
Market Value (\$ in thousands)	\$2,461,757	\$2,067,932
Statutory Value (\$ in thousands)	\$117,514	\$117,514
Silver - Deep Storage:		
Inventories (FTO)	7,075,171	7,075,171
Market Value (\$ per FTO)	\$12.96	\$13.65
Market Value (\$ in thousands)	\$91,694	\$96,576
Statutory Value (\$ in thousands)	\$9,148	\$9,148
Silver - Working Stock:		
Inventories (FTO)	8,924,829	8,924,829
Market Value (\$ per FTO)	\$12.96	\$13.65
Market Value (\$ in thousands)	\$115,666	\$121,824
Statutory Value (\$ in thousands)	\$11,539	\$11,539
Total Market Value of Custodial Gold and Silver Reserves (\$ in thousands)	\$219,604,149	\$184,516,665
Total Statutory Value of Custodial Gold and Silver Reserves (\$ in thousands)	\$10,493,740	\$10,493,740

7. Inventory and Related Property

The components of inventories and related property at September 30 are summarized below:

	2008	2007
Raw Materials	\$313,186	\$229,440
Work-In-Process	49,481	89,878
Inventory held for current sale	108,290	98,754
Total Inventory and Related Property	\$470,957	\$418,072

Raw materials consist of unprocessed materials and by-products of the manufacturing process and the metal value of unusable inventory such as scrap or condemned coins that will be recycled into a usable raw material. In addition, as of September 30, 2008 and 2007, the inventory includes \$32.0 million and \$27.0 million in fair value silver hedge activity of which additional information can be found in note 20. Work-in-process consists of semi-finished materials.

8. Property, Plant and Equipment, Net

Components of property, plant and equipment are as follows:

	September 30, 2008		
	Asset Cost	Accumulated Depreciation and Amortization	Total Property, Plant and Equipment, Net
Land	\$2,529	\$ —	\$2,529
Structures, Facilities and Leasehold Improvements	192,499	(122,640)	69,859
Computer Equipment	30,990	(28,082)	2,908
ADP Software	57,255	(54,735)	2,520
Construction-In-Progress	26,296	—	26,296
Machinery and Equipment	244,207	(140,685)	103,522
Total Property, Plant and Equipment, Net	\$553,776	(\$346,142)	\$207,634
	September 30, 2007		
	Asset Cost	Accumulated Depreciation and Amortization	Total Property, Plant and Equipment, Net
Land	\$2,529	\$ —	\$2,529
Structures, Facilities and Leasehold Improvements	189,274	(116,715)	72,559
Computer Equipment	30,212	(26,485)	3,727
ADP Software	92,290	(86,689)	5,601
Construction-In-Progress	21,584	—	21,584
Machinery and Equipment	236,715	(124,701)	112,014
Total Property, Plant and Equipment, Net	\$572,604	(\$354,590)	\$218,014

The land and buildings used to manufacture circulating coinage and numismatic products are owned by the United States Mint and located in San Francisco, California; Philadelphia, Pennsylvania; Denver, Colorado; and West Point, New York. In addition, the United States Mint owns the land and buildings at the United States Bullion Depository at Fort Knox.

Depreciation and amortization expenses charged to operations during the years ended September 30, 2008 and 2007, were \$34.3 million and \$37.9 million, respectively.

9. Heritage Assets

Assets classified as heritage assets are predominately coins produced in prior years that are held for historical archival purposes. The United States Mint divides heritage assets into two categories: Coin Collections and Historical Artifacts. The coin collections include examples of the various coins produced by the United States Mint over the years, separated into collections of non-precious metal coins; silver coins; and gold and extremely rare coins. The historical artifacts are divided into the furniture collection and the equipment collection

[e.g., period furniture (some antiques) previously used at the United States Mint facilities, balances/scales, obsolete manufacturing equipment, examples of daily activity, etc.] that were used in years past. The United States Mint generally does not place a value on heritage assets, even though some of the coins and artifacts are priceless. However, the assets are accounted for and controlled for protection and conservation purposes. Heritage assets held by the United States Mint are generally in acceptable physical condition.

10. Liabilities Not Covered by Budgetary Resources

Components of Liabilities Not Covered by Budgetary Resources at September 30 are as follows:

	2008	2007
Custodial Gold Reserves (Deep Storage)	\$10,355,539	\$10,355,539
Custodial Silver Reserves (Deep Storage)	9,148	9,148
Working Stock Inventory-Gold	117,514	117,514
Working Stock Inventory-Silver	11,539	11,539
Total Liabilities Not Covered by Budgetary Resources	\$10,493,740	\$10,493,740
Total Liabilities Covered by Budgetary Resources	124,567	121,352
Total Liabilities	\$10,618,307	\$10,615,092

Liabilities not covered by budgetary resources represent amounts owed in excess of available funds, other amounts, or custodial liabilities to Treasury that are entirely offset by custodial gold and silver reserves held by the United States Mint on behalf of the Federal Government.

11. Retirement Plans, Other Post-employment Costs, and Other Imputed Costs

The United States Mint contributes seven percent of basic pay for employees participating in the Civil Service Retirement System (CSRS). On January 1, 1987, the Federal Employees' Retirement System (FERS) went into effect pursuant to P.L. 99-335. Most employees hired after December 31, 1983, are automatically covered by FERS and Social Security. Employees hired prior to January 1, 1984, could elect to join FERS or remain in CSRS.

A primary feature of FERS is that it offers a savings plan to which the United States Mint automatically contributes one percent of basic pay and matches any employee contributions up to an additional four percent of basic pay. Employees can contribute any dollar amount or percentage of their basic pay as long as the annual dollar total does not exceed the Internal Revenue Code limit of \$15,500 for calendar year 2008. Employees participating in FERS are covered by the

Federal Insurance Contribution Act (FICA) for which the United States Mint contributes a matching amount to the Social Security Administration.

Although the United States Mint contributes a portion for pension benefits and makes the necessary payroll deductions, it is not responsible for administering either CSRS or FERS. Therefore, the United States Mint does not report CSRS or FERS assets, accumulated plan benefits or unfunded liabilities, if any, applicable to the United States Mint employees. Reporting such amounts is the responsibility of the Office of Personnel Management (OPM). OPM has provided the United States Mint with certain cost factors that estimate the cost of providing the pension benefit to current employees. The cost factors of 25.2 percent of basic pay for CSRS-covered employees and 12.0 percent of basic pay for FERS-covered employees were in use for FY 2008. The cost factor for CSRS-covered employees was increased by two-tenths of one percent (.2%) over FY 2007 by OPM. The cost factor for FERS-covered employees remained the same.

The amounts that the United States Mint contributed to the retirement plans and social security for the year ended September 30 are as follows:

	2008	2007
Social Security System	\$7,047	\$6,707
Civil Service Retirement System	1,674	1,632
Federal Employees Retirement System (Retirement & Thrift Savings Plan)	11,502	10,858
Total Retirement Plans and Other Post-employment Cost	\$20,223	\$19,197

The United States Mint is also recognizing its share of the future cost of post-retirement health benefits and life insurance for employees while they are still working with an offset classified as imputed financing. OPM continues to report the overall liability of the Federal Government and make direct recipient payments. OPM has also provided certain cost factors that estimate the true cost of providing the post-retirement benefit to current employees. The cost factors relating to health benefits are \$5,220 and \$5,572 per employee enrolled in the Federal Employees Health Benefits Program in FY 2008 and FY 2007, respectively. The cost factor relating to life insurance is two-one hundredths percent (.02%) of basic pay for employees enrolled in the Federal Employees Group Life Insurance Program for both FY 2008 and FY 2007.

The amount of imputed cost related to retirement plans and other post-employment costs incurred by the United States Mint for the year ended September 30 is as follows (before the offset for imputing financing):

	2008	2007
Health Benefits	\$7,953	\$8,427
Life Insurance	23	11
Pension Expense	2,655	2,582
Total Imputed Retirement and Post-	\$10,631	\$11,020

In addition to the pension and retirement benefits described above, the United States Mint also records imputed costs and financing for Treasury Judgment Fund payments made on behalf of the agency. Entries are made in accordance with FASAB Interpretation No. 2. For FY 2008 entries for Judgment Fund payments totaled \$2.8 million (Other Funds). For FY 2007, there were no payments by the Judgment Fund on behalf of the United States Mint.

12. Lease Commitments

The United States Mint as Lessee: The United States Mint leases office and warehouse space from commercial vendors and the General Services Administration (GSA). In addition, the agency leases copier and other office equipment from commercial vendors and vehicles from GSA. With the exception of the commercial leases on two office buildings in Washington, DC, all leases are one-year, or one-year with renewable option years. The two building leases in Washington, DC have terms of 20 and 10 years, respectively. Because all of the United States Mint's leases are considered cancelable, there are no minimum lease payments due.

The United States Mint as Lessor: The United States Mint subleases office space at cost to several other Federal entities in the two leased buildings in Washington, DC. The leases vary from one year with option years to multiple year terms. As of September 30, 2008, the United States Mint subleased in excess of 182,000 square feet in the two leased buildings. As of September 30, 2008, tenants include the Internal Revenue Service, the Treasury Executive Institute, the Bureau of the Public Debt, U.S. Customs and Border Protection, the Federal Consulting Group, and the U.S. Marshals Service. All of the subleases are operating leases and subject to annual availability of funding.

13. Contingencies

The United States Mint is subject to legal proceedings and claims which arise in the ordinary course of its business. Judgments, if any, resulting from pending litigation against the United States Mint generally would

be satisfied from the PEF. Likewise, under the *Notification and Federal Employee Antidiscrimination and Retaliation Act of 2002* (No FEAR Act, P. L. 107-174), settlements and judgments related to acts of discrimination and retaliation for whistleblowing will be paid from the PEF. In the opinion of management, the ultimate resolution of these actions will not materially affect the United States Mint's financial position or the results of its operations.

Asserted and pending legal claims for which loss is reasonably possible were estimated to range from zero to \$7 million at September 30, 2008. In management's opinion, the ultimate resolution of other actions will not materially affect the United States Mint's financial position or net cost.

14. Earmarked Funds

P. L. 104-52 provides that "all receipts from United States Mint operations and programs, including the production and sale of numismatic items, the production and sale of circulating coinage at face value to the FRB, the protection of government assets, and gifts and bequests of property, real or personal shall be deposited into the PEF and shall be available to fund its operations without fiscal year limitations." The PEF meets the requirements of an earmarked fund as defined in SFFAS 27, *Identifying and Reporting Earmarked Funds*.

15. Intragovernmental Costs and Earned Revenue

Intragovernmental costs and earned revenue reflect transactions in which both the buyer and seller are Federal entities. Revenue with the public reflects transactions for goods or services with a non-Federal entity. However, if a Federal entity purchases goods or services from another Federal entity and sells those goods to the public, the revenue would be classified as "with the public," but the related expense would be classified as "intragovernmental." The purpose for this classification is to enable the Federal Government to prepare consolidated financial statements. The following table provides earned revenues, gross cost, and net program revenue.

	2008	2007
Numismatic Production and Sales		
Cost:		
Intragovernmental:		
Selling, General and Administrative	\$16,170	\$9,091
Imputed Costs	4,916	2,204
Total Intragovernmental Costs	21,086	11,295
Public:		
Cost of Goods Sold	1,301,887	739,506
Selling, General and Administrative	75,651	67,383
Total Public Cost	1,377,538	806,889
Gross Cost	1,398,624	818,184
Revenue:		
Intragovernmental:		
Rent Revenues	9,071	8,471
Other Intragovernmental Revenues	734	260
Total Intragovernmental Revenues	9,805	8,731
Public	1,466,628	862,741
Total Earned Revenue	1,476,433	871,472
Net Program Revenue	(\$77,809)	(\$53,288)
Numismatic Production and Sales of Circulating Coins		
Cost:		
Intragovernmental:		
Selling, General and Administrative	\$578	\$474
Total Intragovernmental Costs	578	474
Public:		
Cost of Goods Sold	3,847	5,020
Selling, General and Administrative	2,703	3,517
Total Public Cost	6,550	8,537
Gross Cost	7,128	9,011
Revenue:		
Public	7,128	9,011
Total Earned Revenue	7,128	9,011
Net Program Revenue	\$ —	\$ —
Circulating Production and Sales		
Cost:		
Intragovernmental:		
Selling, General and Administrative	\$13,510	\$21,622
Imputed Costs	8,505	8,815
Total Intragovernmental Costs	22,015	30,437
Public:		
Cost of Goods Sold	472,080	604,688
Selling, General and Administrative	83,450	71,830
Other Costs and Expenses (Mutilated and Uncurrent)	10,763	15,627
Total Public Cost	566,293	692,145
Gross Cost	588,308	722,582
Revenue:		
Public	588,308	722,582
Total Earned Revenue	588,308	722,582
Net Program Revenue	\$ —	\$ —
Net Revenue Before Protection of Assets	(\$77,809)	(\$53,288)
Protection of Assets		
Public:		
Protection Cost	\$41,000	\$37,683
Total Earned Revenue	—	—
Net Cost of Protection of Assets	\$41,000	\$37,683
Net Revenue from Operations	(\$36,809)	(\$15,605)

16. Earned Revenues and Other Financing Source (Seigniorage)

Earned revenues and other financing source (seigniorage) are recognized upon shipment of circulating coins to both the FRB and numismatic customers. A portion of the earned revenue from circulating production and sales displayed on the United States Mint's Statement of Net Cost is generated by goods and services provided to the public. Revenue is limited to the recovery of all costs associated with the production, administration, and distribution of circulating coins (both to the FRB and to the public), and payment by the United States Mint for mutilated and uncurrent coins. The difference between the face value of coins and cost is other financing source (seigniorage). A portion of other financing source (seigniorage) is returned to the Treasury General Fund as an off-budget receipt. The United States Mint transfers to the Treasury General Fund amounts in the PEF determined to be in excess of amounts required to finance operations and programs. After recovering all costs from numismatic sales, the remaining profit is returned to the Treasury General Fund as an on-budget receipt.

The components of circulating coins and numismatic sales of circulating coins for the year ended September 30 are as follows:

	2008	2007
Revenue-FRB	\$588,308	\$722,582
Other Financing Source (Seigniorage)-FRB	706,212	1,005,194
Total Circulating Coins	\$1,294,520	\$1,727,776
Revenue-with the public	\$7,128	\$9,011
Other Financing Source (Seigniorage)-with the public	22,426	27,090
Total Numismatic Sales of Circulating Coins	\$29,554	\$36,101

17. Apportionment Categories of Obligations Incurred

The United States Mint receives apportionments of its resources from OMB. An apportionment is a plan, approved by OMB, to spend resources provided by law. All United States Mint obligations are classified as reimbursable, as they are financed by offsetting collections received in return for goods and services provided. OMB usually uses one of two categories to distribute budgetary resources. Category A apportionments distribute budgetary resources by fiscal quarters. Category B apportionments typically distribute budgetary resources by activities, projects, objects, or a combination of these categories. The United States Mint has only category B apportionments.

Details of Obligations Incurred as of September 30 are as follows:

	2008	2007
Reimbursable:		
Category B		
Total Operating Expenses	\$2,056,364	\$1,809,473
Numismatic Capital	19,514	9,245
Circulating and Protection Capital	14,724	12,337
Total Apportionment		
Categories of Obligations Incurred	\$2,090,602	\$1,831,055

18. Explanation of Differences Between the Statement of Budgetary Resources and the Budget of the United States Government

Statement of Federal Financial Accounting Standards No. 7, *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting*, requires an explanation of material differences between budgetary resources available, the status of those resources, and outlays as presented in the Statement of Budgetary Resources to the related actual balances published in the Budget of the United States Government (President's Budget). The President's Budget with actual numbers for fiscal year 2008 is expected to be published in February 2009 and made available through OMB. The following chart displays the differences between the Statement of Budgetary Resources and the actual FY 2007 balances included in the FY 2009 President's Budget. The explanation for the differences is two-fold. First, there is a timing difference between the preparation of the Statement of Budgetary Resources and the President's Budget. Items that may have been incorporated into the final Statement of Budgetary Resources would not appear in the President's Budget, which is based on the final TIER submission to Treasury. Secondly, as part of the conversion to a budgetary accounting system from a non-budgetary system, the United States Mint and the Administrative Resource Center continue to make necessary corrections to budgetary account balances.

	September 30, 2007	
	Statement of Budgetary Resources	President's Budget
United States Mint Public Enterprise Fund		
Total Budgetary Resources	\$1,884,143	\$1,889,950
Status of Budgetary Resources:		
Obligations Incurred	1,831,055	1,836,862
Unobligated Balances-available	53,088	53,088
Total Status of Budgetary Resources	\$1,884,143	\$1,889,950
Net Outlays	(\$78,622)	(\$72,814)

19. Legal Arrangements Affecting Use of Unobligated Balances

The United States Mint PEF establishes that all receipts from United States Mint operations and programs,

including the production and sale of numismatic items, the production and sale of circulating coinage, the protection of Government assets, and gifts and bequests of property, real or personal, shall be deposited into the United States Mint PEF and shall be available without fiscal year limitations. Any amount that is in excess of the amount required by the United States Mint to cover obligations shall be transferred to the Treasury for deposit as miscellaneous receipts. At September 30, 2008 and 2007, the United States Mint transferred excess receipts to the Treasury General Fund of \$750 million and \$825 million, respectively.

20. Hedging Program

The United States Mint has engaged in a hedging program since FY 2006 to avoid fluctuation in silver costs as a result of the changes in market prices. The United States Mint purchases silver in large quantities and sells an interest in that silver to a trading partner, while maintaining physical custody and title to the silver. Sales of silver to the trading partner are made at the same spot price that the United States Mint paid to obtain the silver on the open market. The partner's interest in United States Mint silver is reduced as finished silver coins are sold to authorized purchasers (APs). Repurchases of the trading partner's interest in the silver occurs upon sale of coins by the United States Mint. Repurchases are made on the same day as sales, in the same quantity sold, and using the same spot price as was used for the sale to the AP. Each sale to and from the purchaser carries a small transaction fee, the selling and buying fees net to a cost of one half cent per ounce. The United States Mint incurred \$90 thousand in hedging fees in FY 2008, compared to \$43 thousand incurred in FY 2007.

At September 30, 2008 and 2007, hedging activity of \$32.0 million and \$27.0 million included in inventory represents the value of the silver sold to the trading partner and not yet sold by the United States Mint and, therefore, not repurchased from the trading partner. In FY 2008, the United States Mint recorded an unrealized gain from hedging activity of \$932 thousand, compared with \$1.6 million in FY 2007.

21. Reconciliation of Net Cost of Operations to Budget

	For The Years Ended September 30,	
	2008	2007
Resources Used to Finance Activities:		
Budgetary Resources Obligated		
Obligations Incurred	\$2,090,602	\$1,831,055
Less: Spending Authority from Offsetting Collections and Recoveries	2,103,372	1,886,594
Net Obligations	(12,770)	(55,539)
Other Resources		
Transfers to the Treasury General Fund On-Budget	(15,000)	(43,000)
Transfers to the Treasury General Fund Off-Budget	(735,000)	(782,000)
Imputed Financing from Costs Absorbed by Others	13,421	11,020
Other Financing Sources (Seigniorage)	728,638	1,032,284
Net Other Resources Used to Finance Activities	(7,941)	218,304
Total Resources Used to Finance Activities	(20,711)	162,765
Resources Used to Finance Items Not Part of the Net Cost of Operations:		
Change in Budgetary Resources Obligated for Goods, Services and Benefits Ordered but Not Yet Provided	63,435	18,246
Resources that Finance the Acquisition of Assets or Liquidation of Liabilities	84,754	189,814
Other	(77,815)	(43,000)
Total Resources Used to Finance Items Not Part of the Net Cost of Operations	70,374	165,060
Total Resources Used to Finance the Net Cost of Operations	(91,085)	(2,295)
Components Requiring or Generating Resources in Future Periods		
Increase in Exchange Revenue Receivable from the Public	—	(52,159)
Total Components of Net Cost of Operations that will Require or Generate Resources in Future Periods	—	(52,159)
Components not Requiring or Generating Resources in the Current Period:		
Depreciation and Amortization	34,292	37,879
Revaluation of Assets	7,046	(1,437)
Other	12,938	2,407
Total Components of Net Revenue from Operations that will not require or Generate Resources	54,276	38,849
Total Components of Net Revenue from Operations that will not require or Generate Resources in the Current Period	54,276	(13,310)
Net Revenue from Operations	(\$36,809)	(\$15,605)

Required Supplementary Information (Unaudited)

Department of the Treasury
United States Mint

For the Years Ended September 30, 2008 and 2007

Introduction

This section provides the Required Supplemental Information as prescribed by the Office of Management and Budget (OMB) Circular A-136, "Financial Reporting Requirements."

Heritage Assets

The United States Mint is steward of a large, unique, and diversified body of heritage assets that are both collection and non-collection in nature. These items include a variety of rare and semi-precious coin collections and historical artifacts, and are held at various United States Mint locations. Some of these items are placed in locked vaults within the United States Mint where access is limited to only special authorized personnel. Other items are on full display to the public requiring little if any authorization to view. Items on display are accounted for and controlled for protection and conservation purposes.

The United States Mint has created two categories to account for the large and varied stock of heritage assets. These categories include coin collections and historical artifacts. The table below summarizes the United States Mint's collection and non-collection type heritage assets balance as of September 30, 2008. Overall, the United States Mint heritage assets, both collection and non-collection type, are in good condition.

Coin Collections	Quantity of Items Held September 30,	
	2008	2007
Non Precious Metal Coin Collection	1	1
Silver Coin Collection	1	1
Gold And Extremely Rare Coin Collection	1	1
Total	3	3

Historical Artifacts Coin Collections	Quantity of Items Held September 30,	
	2008	2007
Furniture Collections (includes antiques)	2	2
Equipment Collection	1	1
Total	3	3



KPMG LLP
2001 M Street, NW
Washington, DC 20036

Independent Auditors' Report on Internal Control Over Financial Reporting

Inspector General
United States Department of the Treasury

Director
United States Mint:

We have audited the balance sheets of the United States Mint as of September 30, 2008 and 2007 and the related statements of net cost, changes in net position, and combined statements of budgetary resources (hereinafter referred to as "financial statements") for the years then ended, and have issued our report thereon dated December 3, 2008.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 07-04 require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The management of the United States Mint is responsible for establishing and maintaining effective internal control. In planning and performing our fiscal year 2008 audit, we considered the United States Mint's internal control over financial reporting by obtaining an understanding of the design effectiveness of the United States Mint's internal controls, determining whether internal controls had been placed in operation, assessing control risk, and performing tests of controls as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements. To achieve this purpose, we did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*. The objective of our audit was not to express an opinion on the effectiveness of the United States Mint's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the United States Mint's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the internal control over financial reporting that might be significant deficiencies or material weaknesses.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the United States Mint's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the



United States Mint's financial statements that is more than inconsequential will not be prevented or detected by the United States Mint's internal control. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the United States Mint's internal control.

In our fiscal year 2008 audit, we consider the deficiencies, described in Exhibit I, to be significant deficiencies in internal control over financial reporting. However, we believe that none of the significant deficiencies described in Exhibit I are material weaknesses. Exhibit II presents the status of prior year material weakness.

The United States Mint's responses to the findings identified in our audit are presented in Exhibit III. We did not audit the United States Mint's response and, accordingly, we express no opinion on it.

We noted certain additional matters that we have reported to management of the United States Mint in a separate letter dated December 3, 2008.

This report is intended solely for the information and use of the United States Mint's management, the Department of the Treasury's Office of Inspector General, OMB, the U.S. Government Accountability Office, and the U.S. Congress and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

December 3, 2008

THE UNITED STATES MINT

Significant Deficiencies

September 30, 2008

Improvements Needed Over Inventory Tracking

We noted the United States Mint's (Mint) accounting system is not being updated timely for receipts and transfers of inventory. Significant variances between inventory counts and inventory records were noted as a result of:

1. Documentation not being received timely to record transactions for both Circulating and Numismatic inventory;
2. The creation of discreet jobs for the consumption of coil to webbing not being performed properly;
3. No documentation being received for coils to properly transfer inventory from dock work-in-process (WIP) to circulating WIP;
4. Condemned and Sweeps inventory amounts were inaccurate due to missing paper work from Coining Division;
5. Incorrect items being transacted for stamped dollars in Numismatic, because of improper documentation; and
6. Five 25 cent coils being improperly entered into the system, causing the final inventory reconciliation to be inaccurate.

Additionally we noted that one United States Mint facility was improperly receiving raw materials for pennies directly into work-in-process, without the approval of Headquarters.

OMB Circular A-123, *Managements Responsibility for Internal Control*, defines management's responsibility and provides guidance to Federal managers on improving the accountability and effectiveness of Federal programs and operations by establishing, assessing, correcting, and reporting on internal control. In addition the circular states that "transactions should be promptly recorded, properly classified, and accounted for in order to prepare timely accounts and reliable financial and other reports."

GAO *Standards for Internal Control in the Federal Government* holds that transactions should be properly authorized, documented, and recorded accurately and timely.

Recommendations: We recommend that the United States Mint:

1. Enforce and follow the inventory procedures related to the recording and tracking of inventory movements in the accounting system to ensure the subsidiary ledger agrees to the inventory physically located at the facilities.
2. Enforce and follow the inventory procedures, specifically related to properly receiving and classifying inventory between raw materials and work-in-process.

THE UNITED STATES MINT

Significant Deficiencies

September 30, 2008

Improvement Needed in Review of Open Obligations

Mint Headquarters did not properly review open obligations during the year to ensure that closed obligations were being de-obligated timely. Specifically we noted:

1. The population used for the open obligation review is not being reconciled to the general ledger.
2. The employees performing the reviews do not have updated procedures to follow; therefore, a complete review is not performed.
3. Once each division returns the portion of open obligations they were requested to review, there is no final reconciliation by Mint Headquarters to ensure all open obligations were reviewed as required.
4. Procedures related to de-obligating of funds were not being performed timely.

OMB Circular A-123, *Management's Responsibility for Internal Control*, states that monitoring the effectiveness of internal control should occur in the normal course of business. In addition, periodic reviews, reconciliations or comparisons of data should be included as part of the regular assigned duties of personnel.

Furthermore, internal control best practices require monitoring procedures to be adequately documented.

Recommendations: We recommend that the United States Mint:

1. Update the standard operating procedures (SOP) to include a reconciliation of open obligations population to the general ledger.
2. Enforce the SOP procedures for de-obligating closed obligations and ensure staff is provided with the updated SOP.

THE UNITED STATES MINT
 Status of Prior Year Material Weakness
 September 30, 2008

Prior Year Condition	Prior Year Recommendation	Status as of September 30, 2008
Improvement needed in Internal Controls related to Financial Accounting and Reporting		
<i>Inventory</i>	<p>Recommendation #1: Develop controls and processes related to the recording and tracking of inventory movements in the financial statement system to ensure the subsidiary ledger agrees to the inventory physical located at the facilities.</p> <p>Recommendation #2: Establish a policy and procedure for the accounting treatment of metal by-product located at the United States Mint that is not in the subsidiary ledger.</p>	<p>Partially Closed</p> <p>Closed</p>



DEPARTMENT OF THE TREASURY
UNITED STATES MINT
WASHINGTON, D.C. 20220

December 3, 2008

KPMG LLP
2001 M Street N.W.
Washington, DC 20036

Ladies and Gentlemen:

We have reviewed the fiscal year 2008 auditors' report and are in substantial agreement with the reported observations. The United States Mint recognizes the need for strong internal controls and is taking corrective actions to address the noted deficiencies. We have made significant progress toward resolving the reported issues and will continue to work with KPMG and the Office of Inspector General in identifying the specific actions that will ensure we have taken appropriate corrective action.

Sincerely,

Patricia M. Greiner
Associate Director/Chief Financial Officer
United States Mint



KPMG LLP
2001 M Street, NW
Washington, DC 20036

Independent Auditors' Report on Compliance and Other Matters

Inspector General
United States Department of the Treasury

Director
United States Mint:

We have audited the balance sheets of the United States Mint as of September 30, 2008 and 2007, and the related statements of net cost, changes in net position, and combined statements of budgetary resources (hereinafter referred to as "financial statements") for the years then ended, and have issued our report thereon dated December 3, 2008.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 07-04 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The management of the United States Mint is responsible for complying with laws, regulations, and contracts applicable to the United States Mint. As part of obtaining reasonable assurance about whether the United States Mint's financial statements are free of material misstatement, we performed tests of the United States Mint's compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of the financial statement amounts, and certain provisions of other laws and regulations specified in OMB Bulletin No. 07-04, including the provisions referred to in Section 803 (a) of the *Federal Financial Management Improvement Act of 1996* (FFMIA). We limited our tests of compliance to the provisions described in the preceding sentence, and we did not test compliance with all laws, regulations, and contracts applicable to the United States Mint. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests of compliance described in the preceding paragraph of this report, exclusive of those referred to in FFMIA, disclosed no instances of noncompliance or other matters that are required to be reported herein under *Government Auditing Standards* or OMB Bulletin No. 07-04.

The results of our tests of FFMIA disclosed no instances in which the United States Mint's financial management systems did not substantially comply with (1) Federal financial management systems requirements, (2) applicable Federal accounting standards, and (3) the United States Government Standard General Ledger at the transaction level.



This report is intended solely for the information and use of the United States Mint's management, the Department of the Treasury's Office of Inspector General, OMB, the U.S. Government Accountability Office, and the U.S. Congress and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

December 3, 2008

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The United States Mint
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