UNITED STATES MINT

2007 UNITED STATES MINT ANNUAL REPORT

United States Mint Director Edmund C. Moy proudly holds the first in a series of 2007 Presidential $1 Coins depicting the likeness of the first President of the United States – George Washington.

2007

UNITED STATES MINT
ANNUAL REPORT

TREASURY
UNITED STATES MINT

MISSION STATEMENT

The United States Mint applies world-class business practices in making, selling, and protecting our Nation's coinage and assets.

UNITED STATES MINT VISION

Together, we will provide value to the American people, ensure integrity in our commitments and communications, and achieve world-class performance.

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

DIRECTOR
OF THE
MINT

December 4, 2007

Dear Collectors, Customers and Colleagues,

I recently completed my first year as Director of the United States Mint, and I am pleased to report that the past year has been a very successful one for our organization. I have been extremely impressed by the hard work and dedication of United States Mint employees, and I am heartened to witness the renewed interest of the American public in our nation's coinage and what it represents.

As a boy, I was an avid coin collector, fascinated by the mystery of the images, and in awe of the remarkable history that the little works of art we call coins represent. But, like many of us, I reached an age where spending the coins seemed to take a higher priority than collecting them. From my early days as a young coin collector, I could never imagine that I would one day have the honor of serving as Director of the United States Mint. My year of working with our dedicated employees, meeting with collectors, and witnessing the renewed public interest in our nation's coinage has truly reawakened my appreciation for the coin collecting hobby and for the value of coins in enabling our nation's commerce.

As you might be aware, our number one priority in Fiscal Year (FY) 2007 was the implementation of the Presidential $1 Coin Act. I am proud to report that working with our partner, the Federal Reserve Board of Governors, we successfully launched this program in February with the issuance of the first Presidential $1 Coin, featuring President George Washington. Subsequently, we issued two more coins, featuring Presidents Adams and Jefferson. By the conclusion of FY 2007, the Federal Reserve had ordered a total of 673 million Presidential $1 Coins to issue to the public. In addition to this, we had a number of significant achievements this year, including:

- Transferring $825 million to the Treasury General Fund;
- Producing 15.4 billion coins for circulation;
- Launching several new numismatic products for our collectors and recording $872 million in numismatic sales;
- Continuing to work toward optimizing our organizational efficiency by completing the transfer of transactional accounting functions to a Center of Excellence shared service provider — the Administrative Resource Center of the Bureau of the Public Debt;
- Continuing to make process improvements and leveraging technology, enabling achievements like increasing coin design and master tooling output from an average of 70 coin designs per year to a record-setting 120, an increase of 70%;
- Maintaining our continued high rating for customer service as measured by the American Customer Satisfaction Survey.

We continued to serve the needs of our collecting community by introducing a number of beautifully designed and historically significant new products that included:

- The commemorative quarter-dollar coins in the 50 State Quarters® Program honoring South Dakota, Montana, Washington, Idaho, and Wyoming;
- The Jamestown 400th Anniversary Commemorative Coin, celebrating the establishment of the first permanent English settlement in America;
- The Little Rock Central High School Desegregation 50th Anniversary Commemorative Coin Program, commemorating one of the pivotal junctures in our nation's civil rights movement; and

- The First Spouse Gold Coin Program, featuring one-half ounce, 24-Karat gold, $10 coins complementing the issuance of the first three Presidential $1 Coins and featuring Martha Washington, Abigail Adams and the Thomas Jefferson “Liberty.” (Note: President Jefferson was not married during his terms of office)

Like any organization, we face some significant challenges, the most important of which is the continuing rise in the prices of copper, nickel and zinc — the main components of our circulating coinage. To meet this challenge, we continue to find ways to reduce our non-metal production costs. We have worked with the Department of the Treasury and Congress to examine solutions to mitigate the effect of rising metal prices on circulating coinage. We submitted to Congress a legislative proposal that would allow the Treasury Secretary to alter coin composition to less expensive materials, and as a result, Congress introduced legislation, entitled the “Coinage Materials Modernization Act of 2007.” This bill, if passed, is estimated to save the government approximately $100 million annually.

Fiscal Year 2008 will be another very busy and productive year for the United States Mint. We look forward with a sense of celebration, and some sadness, to the last calendar year of production for the 50 State Quarters Program. This rotating design program has been a landmark success in our goal to educate the American public with our nation’s heritage. We are also excited to launch the next four Presidential $1 Coins featuring Presidents James Madison, James Monroe, John Quincy Adams, and Andrew Jackson. We will work diligently to make the second year of the Presidential $1 Coin Program successful. In addition, the American Bald Eagle Recovery and National Emblem Commemorative Coin Act authorizes the minting of gold, silver and clad commemorative coins celebrating a truly remarkable conservation success story — the recovery and restoration of our national emblem, the American Bald Eagle.

As I begin the second year of my tenure as Director of the United States Mint I am proud to say we have formulated a strong Strategic Plan and have taken great strides in setting high standards in our new vision and mission for the United States Mint. We will be focusing on the following five overarching goals:

- Establishing and reinforcing the exclusive brand identity of the United States Mint;
- Creating and executing the most effective coin and medal portfolio strategy;
- Achieving greater excellence in coin and medal design;
- Increasing operational efficiency while meeting the highest quality standards; and
- Developing an optimal workforce and workplace culture.

We are proud of our achievements in FY 2007, and the employees of the United States Mint remain firmly committed in FY 2008 to continue meeting the nation’s needs for coinage and to offer our collectors the finest numismatic products. Our vision for the future is; “To embody the American spirit through the creation of our nation’s coins and medals.” To that end, we will continue to provide the highest quality coinage that illustrates our great heritage and history. We believe in what we do at the United States Mint, and we want the American people to see this dedication in every product we deliver.

Sincerely,

Edmund C. Moy
Director

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

MESSAGE FROM THE CHIEF FINANCIAL OFFICER

December 4, 2007

I am pleased to present the United States Mint's financial statements as an integral part of the Fiscal Year (FY) 2007 Annual Report. As an organization, our priority is to report accurate financial data, while at the same time achieving the highest levels of discipline and accountability in the execution of our fiscal responsibilities to the American people. For FY 2007, our independent auditors rendered an unqualified opinion. The United States Mint remains committed to achieving superior performance and to making significant improvements to its system of financial management control.

The United States Mint had a very productive and successful year. This year, we launched the Presidential $1 Coin Program honoring Presidents Washington, Adams and Jefferson, issuing a total of 673 million coins to the Federal Reserve by September 30, 2007. We are proud to report that, as a result of our FY 2007 operations, the United States Mint was able to transfer $825 million to the Treasury General Fund.

This year, as part of our program to meet the mandates of the President's Management Agenda, we completed the transfer of our Enterprise Resource Planning System and many of our transactional finance and accounting activities to a Center of Excellence shared service provider—the Administrative Resource Center (ARC) of the Bureau of the Public Debt. This initiative is intended to eliminate duplication of systems, reduce capital expenditures, and promote greater standardization within the federal government. This process is expected to increase efficiency at the United States Mint and will allow us to focus more of our staff resources on mission-critical needs of the bureau.

Strong financial management continues to be a key strategic focus for the United States Mint. Under OMB Circular A-123 "Management's Responsibility for Internal Control" guidelines, we completed a full-scope A-123 program review. Based on the results of this evaluation, the United States Mint identified several deficiencies and determined that a material weakness had resulted as of June 30, 2007 for FY 2007. Management determined that the material weakness had a root cause centering around changes to the organization and processes resulting from the conversion to our new Enterprise Resource Planning System. This significant change in systems required the United States Mint to redesign and implement new and/or revised controls and reporting processes. We are committed to maintaining effective systems of internal control; therefore, subsequent to the determination that a material weakness existed, we took aggressive steps to implement corrective actions to resolve the material weakness. Significant progress has been made and the remaining issues will be resolved in the near future.

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 2007 continuing to provide the American people with the highest quality products and exceptional financial results. We look forward to continuing this 215 year-old tradition of service to the American public and our collectors in Fiscal Year 2008.

Sincerely,

Patricia M. Greiner

Patricia M. Greiner
Chief Financial Officer

MANAGEMENT'S DISCUSSION AND ANALYSIS

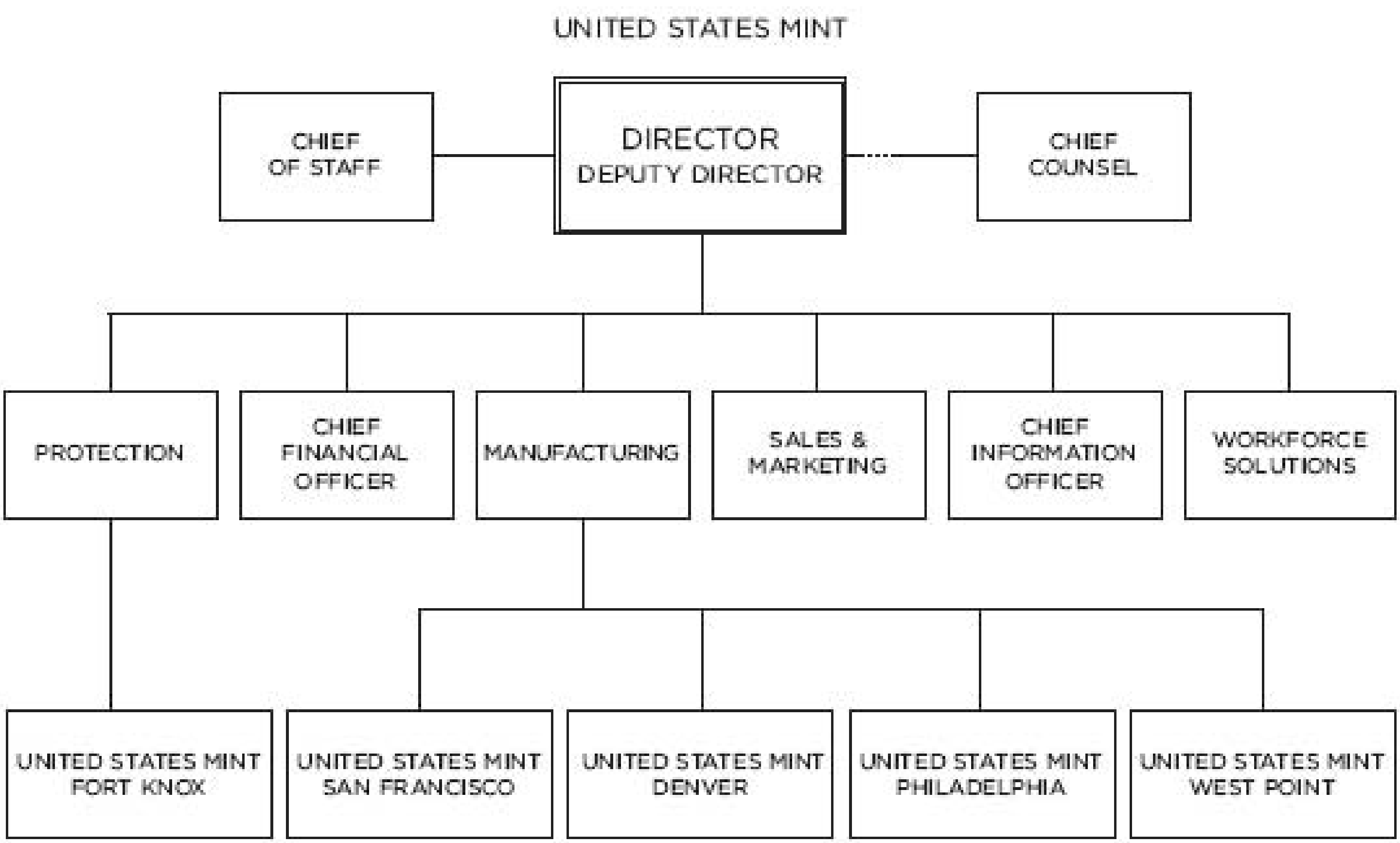
OVERVIEW

The United States Mint's financial statements are prepared pursuant to Public Law 104-52. The financial statements represent the operations of the entire United States Mint, composed of the circulating, numismatic, bullion, and protection programs. The Management's Discussion and Analysis section provides an operational overview and serves to explain the financial statements as well as to explain program performance. The United States Mint uses a set of key performance indicators to manage operations. An analysis of the United States Mint's success in achieving these performance goals is included in this section.

MISSION OF THE UNITED STATES MINT

The United States Mint applies world-class business practices in making, selling, and protecting our Nation's coinage and assets.

ORGANIZATIONAL STRUCTURE



OPERATIONAL OVERVIEW

Since Fiscal Year (FY) 1996, the United States Mint has operated under the United States Mint Public Enterprise Fund (PEF). As authorized by Public Law 104-52 (31 U.S.C. § 5136), the PEF eliminates the need for appropriations to the United States Mint. Proceeds from the sale of circulating coins to the Federal Reserve Banks and to the public, and the sale of numismatic products and bullion coins to customers worldwide, are the sources of funding for United States Mint operations. Revenues in excess of costs and obligations are returned to the United States Treasury General Fund on an annual basis.

MANAGEMENT STRATEGIC PRIORITIES

The United States Mint continually seeks to be a model government agency that applies modern business practices, resulting in higher yields, lower costs, proper use of technology, efficient production, timely delivery of products and exceptional customer service. Management's strategic priorities for FY 2007 include:

- Be a model government agency that matches world-class business practices
- Value and communicate with the American people
- Design, sell, and deliver quality products
- Foster a model workplace

BE A MODEL GOVERNMENT AGENCY THAT MATCHES WORLD-CLASS BUSINESS PRACTICES

The United States Mint is committed to continually improving the efficiency of its operations. During FY 2007, the United States Mint focused on five key areas: 1) keeping Sales, General and Administrative (SG&A) expenses as low as possible while maintaining the quality that the public and customers expect from our products; 2) reducing our facilities' costs by completing office consolidation efforts; 3) transferring many transactional functions in accounting and procurement to a shared-service provider; 4) continuing business process improvements in Manufacturing and Sales and Marketing to increase the efficiency of the production process; and 5) reducing the costs of maintaining a strong and efficient program to protect the assets of the United States Mint and the nation.

Sales, General and Administrative (SG&A) Expenses: These are the overhead costs associated with operating the United States Mint. In a production-oriented agency like the United States Mint, emphasis is placed on minimizing SG&A costs while ensuring compliance with statutory requirements. Minimizing SG&A costs allows us to keep our circulating and numismatic production costs as low as possible, which, in turn, also allows us to keep our numismatic product prices low. Ultimately, the result is greater transfers to the Treasury General Fund. In FY 2007, SG&A costs decreased to $174.0 million compared to $177.5 million in FY 2006.

Facilities Management: The United States Mint continues to review the utilization of space at the agency's Headquarters in Washington, DC. To maximize efficiency, the United States Mint subleased approximately 182,000 square feet of Headquarters office space in Washington, DC. This resulted in leasing cost savings of approximately $8.4 million in FY 2007, up from $7.9 million in FY 2006.

Shared Services: Under the Office of Management and Budget's Line of Business Initiative, federal agencies are expected to either provide certain shared services as a Center of Excellence, or consider migrating to a designated Center of Excellence. In FY 2007, the United States Mint transferred many of its finance and accounting functions to the Administrative Resource Center (ARC), along with the operation of its Enterprise Resource Planning (ERP) System, procurement, and e-travel functions. The United States Mint performed system cutover on October 1, 2006, and officially went "live" October 2, 2006. During this first year of operation, the United States Mint developed and conducted six customized workshops that were intended to provide United States Mint employees with customized, hands-on, and process-specific training as a supplement to the training provided by the ARC. The six workshops included: Counting Inventory, Advance Cycle Counting, Cost Management, Outside Processing, Period End Manufacturing Activities, and Financial Data Overview, and were delivered at all sites. Participants found the training to be a useful refresher as well as a source of new skills and knowledge.

Improved Business Processes: In FY 2007, the United States Mint completed training for many managers in Manufacturing on "Lean Manufacturing" processes and in Sales and Marketing on effective project management skills. This continual process improvement in Manufacturing and Sales and Marketing will serve to eliminate unnecessary or redundant practices and should lead to substantial improvements in plant productivity and reduction in controllable operating costs. Several significant achievements for FY 2007 include:

- Overcame significant issues with cutting edge technologies used to produce Presidential $1 Coins. These issues include improving the coin's luster, using edge lettering on a circulating coin, and modifying product packaging with automated robotics. We resolved our edgeless coin quality issue, by implementing safeguards and investing in capital to redesign the production line.
- Increased coin design and master tooling output from an average of 70 coins per year to a record-setting 120 for FY 2007, demonstrating an increase of 70% by infusing and leveraging digital technology.
- Developed an inventory management pilot program jointly with the Federal Reserve Board (FRB) to more effectively meet the demands of the public and create a more stable circulating coin production system.

Next year Manufacturing intends to focus on two areas for Lean improvement – the Die Shop at the United States Mint at Philadelphia and Headquarters Field process for entering new information in Oracle. Management is committed to implementing more efficient and cost effective procedures throughout all areas of the United States Mint.

Protection of Assets: The United States Mint continues to use a strategic approach to reduce its Protection costs. The United States Mint plans to use automation to replace certain functions currently performed by its police officers. For instance, the installation of electronic systems can verify identity and scan for weapons and explosives. This procedure upon entry to and exit from each facility can eliminate a process currently conducted by police officers. Once the electronic equipment is fully implemented, the United States Mint will be able to reduce positions, and improve the effectiveness of the scanning process.

VALUE AND COMMUNICATE WITH THE AMERICAN PEOPLE

During FY 2007, the United States Mint continued to improve communications with its stakeholders, customers, and the American public. This included continuing the innovative and critically acclaimed United

States Mint "History In Pocket" (H.I.P.) Pocket Change™ educational website and conducting a number of open collector forums around the nation.

United States Mint H.I.P Pocket Change Website: Educational content was added to the United States Mint H.I.P. Pocket Change website. The interactive Time Machine cartoon was updated quarterly with trips to the Suffrage (1917), Great Depression (1935) and World War II (1943) eras with an emphasis on coins. The online newsletter, *Making Cents*, was updated quarterly, as was a "State Quarter Day in the Classroom" page with the release of each 50 State Quarters® coin. The "Coin of the Month" section provided a historical perspective of a different coin each month. The United States Mint H.I.P. Pocket Change website had over 3.8 million visits during the year, an increase of 24% over FY 2006.

Collector Forums: In FY 2007, the United States Mint hosted five collector forums at which collectors and the general public could view the newest products and pose questions and ideas related to coin programs to United States Mint officials. The forums were held the evening before each State Quarter launch ceremony in South Dakota, Washington, and Wyoming, and at the Spring and Summer American Numismatic Association conventions in Charlotte and Milwaukee.

American Customer Satisfaction Index (ACSI): The United States Mint was among the highest in government for high standard of customer service (87%) measured by the ACSI. One of the critical elements in this survey was measuring overall order fulfillment to the FRB and to the public. The United States Mint also participates in the quarterly ACSI E-Government Customer Satisfaction Survey. The scores of 80 in the e-commerce/transactions category and 79 in the portals/main sites category outpaced the average government score of 76.8 and 72.6, respectively. The United States Mint's e-commerce/transactions scored the same as the overall private sector e-commerce score.

Coin Users Group Forums: In accordance with the Presidential $1 Coin Act of 2005, (Public Law 109-145), the United States is honoring the nation's Presidents by issuing a series of circulating $1 coins, featuring the image of each President in the order in which he served. The Act requires the Board of Governors of the Federal Reserve System and the Secretary of the Treasury to take steps to ensure that an adequate supply of $1 coins is available for commerce and collectors. There are further requirements to consult with coin users groups to secure ideas for the efficient distribution and circulation of $1 coins, as well as all other circulating coins.

To this end, several coin users group forums have been hosted jointly by the United States Mint and the FRB. Two such forums were held in FY 2007. The first forum, on November 8, 2006, was specifically for representatives from the retail industry. The United States Mint and the FRB hosted another coin users group forum on July 12, 2007, with representatives from all stakeholder groups. These forums have been beneficial in identifying barriers to robust circulation of coins and ideas to overcome or mitigate those barriers. As a result, actions and operational changes have been revised or established, thus streamlining the ordering and distribution processes as well as facilitating more effective communication and information channels.

DESIGN, SELL, AND DELIVER QUALITY PRODUCTS

The United States Mint continually strives to provide the highest quality products along with services that are responsive to our customers' needs and desires. At the same time, our goal is to provide excellent customer service that meets the best in business standards; FY 2007 was no exception.

FY 2007 NEW PRODUCTS AND PROGRAMS

The Presidential $1 Coin Program

The United States is honoring our nation's Presidents by issuing $1 circulating coins featuring their images in the order that they served, beginning in calendar year 2007 with Presidents Washington, Adams, Jefferson and Madison. The United States Mint will mint and issue four Presidential $1 Coins per year, and each will have a reverse design featuring a striking rendition of the Statue of Liberty. The composition of the new Presidential $1 Coins is identical to that of the Golden Dollar featuring Sacagawea.

The Presidential $1 Coin Act seeks to revitalize the design of United States coins and return circulating coinage to its position as an object of aesthetic beauty in its own right. Accordingly, the new Presidential $1 Coins feature larger, more dramatic artwork, as well as edge-incused inscriptions of the year of issuance, "E Pluribus Unum," "In God We Trust," and the mint mark.

Modeled after the United States Mint's successful 50 State Quarters Program, the Presidential $1 Coin Program features rotating designs of United States Presidents. The George Washington Presidential $1 Coin marked the first of three Presidential $1 Coins released in FY 2007, followed by John Adams and Thomas Jefferson, with James Madison's release scheduled in the calendar year on November 15. For the three Presidential $1 Coins released in FY 2007, the Federal Reserve ordered 673 million coins for circulation. Public awareness of the new Presidential $1 Coins has increased from a pre-introduction level of 18% to 62%. The unveiling of all four designs for the 2007 Presidential $1 Coins was held on November 20, 2006, at the Smithsonian National Portrait Gallery in Washington, DC. The media event took place in front of the original Gilbert Stuart painting of George Washington. All of the media events listed, as well as ongoing media outreach and a local media tour, led to more than 1 billion audience impressions for the Presidential $1 Coin Program in FY 2007.

George Washington Presidential $1 Coin
First President, 1789-1797
On February 15, 2007, the United States Mint released into circulation the new George Washington Presidential $1 Coin. The United States Mint celebrated the debut of the George Washington $1 Coin with a special Presidential $1 Coin Exchange in New York City featuring a brigade of armored cars delivering the coins to Grand Central Terminal.

John Adams Presidential $1 Coin
Second President, 1797-1801
On May 17, 2007, the United States Mint released into circulation the John Adams Presidential $1 Coin. On May 22, 2007, Quincy, Massachusetts, the hometown of John Adams, hosted a ceremony to commemorate the first time that John Adams has been featured on a U.S. coin.

Thomas Jefferson Presidential $1 Coin
Third President, 1801-1809
On August 16, 2007, the United States Mint released into circulation the Thomas Jefferson Presidential $1 Coin. The Thomas Jefferson $1 Coin launch and coin exchange was held at the Jefferson Memorial in Washington, DC, on August 15, 2007. The launch featured United States Mint Director Edmund C. Moy's release of the results of a national survey commissioned by the United States Mint to test citizens' knowledge of America's Presidents.

James Madison Presidential $1 Coin
Fourth President, 1809-1817
The James Madison Presidential $1 Coin is scheduled for release in FY 2008 on November 15, 2007.

The First Spouse Gold Coin Program

The United States is honoring our nation's first spouses by issuing one-half ounce $10 gold coins featuring their images, in the order that they served as first spouse, beginning in 2007 with Martha Washington, Abigail Adams, Thomas Jefferson's Liberty and Dolley Madison. The Presidential $1 Coin Act of 2005 authorized the First Spouse, 24-Karat, Gold Coins as collectible counterparts of the circulating Presidential $1 Coins. The United States Mint also produced bronze medals bearing the likeness of the First Spouse Gold Coins.

The First Spouse Gold Coins mark the first time the United States Mint has featured women on a consecutive series of coins. The obverse of these coins feature portraits of the nation's first spouses, their names, and the dates and order of their years as first spouse. Each coin has a unique reverse design featuring an image emblematic of that spouse's life and work. The Program has proven to be extremely popular, with both proof and uncirculated versions of each First Spouse Gold Coin selling out on the day of release, a total of 40,000 coins per first spouse design.

When a President served without a first spouse, such as Thomas Jefferson, a gold coin will be issued bearing an obverse image emblematic of Liberty as depicted on a circulating coin of that era, and bearing a reverse image emblematic of themes of that President.

Martha Washington First Spouse $10 Gold Coin
First Lady, 1789-1797
The Martha Washington First Spouse $10 Gold Coin went on sale June 19, 2007. The obverse bears an image of Martha Washington, and the reverse design depicts the future first lady sewing a button onto her husband's uniform jacket. During the Revolutionary War, her concern for the colonial soldiers earned her their lasting respect and admiration.

Abigail Adams First Spouse $10 Gold Coin
First Lady, 1797-1801
The Abigail Adams First Spouse $10 Gold Coin went on sale June 19, 2007. The obverse bears an image of Abigail Adams, and the reverse design depicts her writing a letter, with the words "Remember the Ladies" as she wrote to her husband, John, as he was with the other Founding Fathers creating the framework for the new Republic.

Thomas Jefferson Liberty First Spouse $10 Gold Coin
President 1801-1809
The Thomas Jefferson Liberty First Spouse $10 Gold Coin went on sale August 30, 2007. The obverse image emblematic of Liberty appeared on the Draped Bust Half-Cent coin from 1800 to 1808. The reverse design depicts Jefferson's final resting place located on the grounds of his Monticello estate.

Dolley Madison First Spouse $10 Gold Coin
First Lady, 1809-1817
The fourth in the series of First Spouse $10 Gold Coins is scheduled to be released in FY 2008 on November 29, 2007.

THE 50 STATE QUARTERS PROGRAM:
(a 10-year celebration of our national heritage)

A significant portion of United States Mint operations is dedicated to the 50 State Quarters Program, which was introduced in 1999 to commemorate each of the 50 states over a ten-year period. Five new commemorative quarter-dollar coins are minted and issued each year. The reverse of each quarter-dollar coin celebrates one of the 50 states with a design honoring the unique history, traditions and symbols of the state. The quarter-dollars are released in the order in which the states ratified the United States Constitution or were admitted into the Union. In FY 2007, the United States Mint issued quarter-dollars commemorating South Dakota, Montana, Washington, Idaho and Wyoming.

FY 2007 50 STATE QUARTERS COIN RELEASES

South Dakota: The first quarter released in FY 2007 honors the State of South Dakota, the "Mount Rushmore State," and is the 40th coin in the United States Mint's 50 State Quarters Program. The South Dakota quarter features an image of the State bird, a Chinese ring-necked pheasant, in flight above a depiction of the Mount Rushmore National Monument. The design is bordered by heads of wheat. The coin's design also bears the inscriptions "South Dakota," "1889," and "2006."

Montana: The second quarter released in FY 2007 honors Montana, and is the 41st coin in the United States Mint's 50 State Quarters Program. The reverse of Montana's quarter features a bison skull depicted above the diverse Montana landscape with the inscription "Big Sky Country." The coin also bears the inscriptions "Montana," "1889," and "2007."

Washington: The third quarter released in FY 2007 honors Washington State, and is the 42nd coin in the United States Mint's 50 State Quarters Program. The reverse of Washington's quarter features a king salmon breaching the water in front of majestic Mount Rainier. The coin bears the inscriptions "The Evergreen State," "Washington," "1889," and "2007."

Idaho: The fourth commemorative quarter-dollar coin released in FY 2007 honors Idaho, and is the 43rd coin in the United States Mint's 50 State Quarters Program. The reverse of Idaho's quarter features the Peregrine Falcon imposing its presence above an outline of the State of Idaho. The coin bears the inscriptions "Esto Perpetua" (the State motto which means, "May it be Forever"), "Idaho," "1890," and "2007."

Wyoming: The fifth and final quarter released in FY 2007 honors Wyoming, and is the 44th coin in the United States Mint's 50 State Quarters Program. The reverse of Wyoming's quarter features a bucking horse and rider with the inscriptions "The Equality State," "Wyoming," "1890," and "2007."

FY 2007 COMMEMORATIVE COINS

2007 Jamestown 400th Anniversary Commemorative Coin Program:
Four hundred years after the settlement of Jamestown, the United States is honoring the founding of Jamestown with two commemorative coins from the United States Mint. The Jamestown 400th Anniversary Commemorative Coin Program includes two commemorative coins — a silver dollar, minted at the United States Mint at Philadelphia and a $5 gold coin, minted at the United States Mint at West Point — available in both proof and uncirculated conditions.

The obverse of the silver dollar, "Three Faces of Diversity," represents the three cultures that came together at Jamestown, while the reverse features an image of the three ships which brought the first settlers to Jamestown in 1607. The obverse of the $5 gold coin depicts an image of Captain John Smith greeting a Native American carrying a bag of corn. The reverse features a current rendering of Jamestown Memorial Church, the only remaining original structure in Jamestown.

Authorized by Public Law 108-289, the 2007 Jamestown 400th Anniversary Commemorative Coins are limited to maximum mintages across all product options of 500,000 for the silver dollar and 100,000 for the $5 gold coin. Surcharges from the program are authorized to support the 400th anniversary programs, such as promoting understanding, continuing preservation, and improving the infrastructure of Jamestown, among other commemorative events. These programs are conducted by, and the surcharges are authorized to be paid to the Jamestown-Yorktown Foundation of the Commonwealth of Virginia, the Secretary of the Interior, and the Association for Preservation of Virginia Antiquities.

2007 Little Rock Central High School Desegregation 50th Anniversary Program:
The second United States Mint commemorative coin program of FY 2007 commemorates a major event in the Civil Rights movement. Public Law 109-146 directs the Secretary of the Treasury to mint up to 500,000 silver dollars in commemoration of the 50th anniversary of the desegregation events at Little Rock Central High School in Little Rock, Arkansas, during the 1957-58 school year. The coin is available in proof and uncirculated condition, minted at the United States Mint at Philadelphia.

The obverse of this coin depicts students, walking to school, accompanied by an armed United States soldier. The design includes nine stars, symbolic of the "Little Rock Nine," who bravely faced the violence and hatred of a segregated society. The reverse depicts the image of the school circa 1957.

Surcharges collected through the sale of these coins are authorized to be paid to the Secretary of the Interior for the protection, preservation, and interpretation of resources and stories associated with the Little Rock Central High School National Historic Site. These include site improvements at Little Rock Central High School National Historic Site, development of interpretive and education programs and historic preservation projects, and the establishment of cooperative agreements to preserve or restore the historic character of the Park Street and Daisy L. Gatson Bates Drive corridors adjacent to the site.

FOSTER A MODEL WORKPLACE

Equal Employment Opportunity (EEO)/Diversity: The United States Mint continues ongoing efforts to develop and retain an optimal diverse workforce and workplace culture by utilizing human resources flexibilities when possible, and by addressing conflicts at the lowest level. In FY 2007, a number of EEO events were sponsored emphasizing key areas relevant to EEO and specific diversity initiatives. In FY 2007, the EEO office administered the No Fear Act and Prevention of Sexual Harassment (POSH) training for 100% of the workforce. The positive outcomes from these efforts include, enhanced awareness of diversity initiatives, and a better understanding of the EEO complaint process, and other conflict resolution resources available to the workforce.

Safety: Our vision is to implement a sustainable safety process that demonstrates continuous improvement towards zero injuries. The primary method used to drive continuous improvement is the United States Mint's safety reporting system which tracks progress at the facility and bureau levels. The metrics are designed to meet, and in most cases exceed, the President's SHARE (Safety Health And Return to Employment) Initiative. After reducing the Lost Time Accident (LTA) rate for six consecutive years, the United States Mint suffered a slight setback, and the end rate for FY 2007 was 0.88 compared to 0.79 for FY 2006. Based on the metrics, the United States Mint initiated a program targeted at the safety culture within the Mint Police force. There were efforts to revitalize the safety culture change at the United States Mint at Philadelphia, with the intent of migrating successes to the other United States Mint facilities. The United States Mint also audited the employee interface and employee perception of safety programs at the various locations, creating a list of action items for improving program guidance to the field. The United States Mint is diligently committed to obtaining zero injuries throughout the entire workforce.

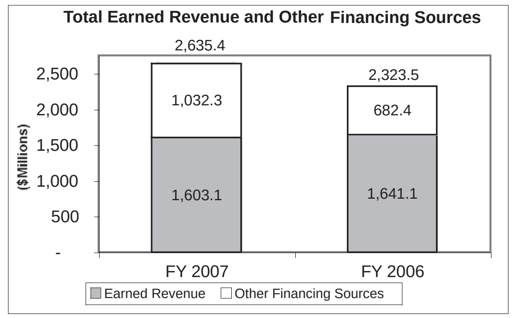
FINANCIAL AND PROGRAM ANALYSIS

OPERATING RESULTS

The following section provides a summary of the operating results for the United States Mint's various programs and circulating coinage.

TOTAL EARNED REVENUE AND OTHER FINANCING SOURCES (SEIGNIORAGE)

In FY 2007, the United States Mint's earned revenue increased to $1,603.1 million plus other financing sources (seigniorage) of $1,032.3 million totaling $2,635.4 million. This compares with FY 2006 amounts of $1,641.1 million for earned revenue plus $682.4 million for other financing sources, totaling $2,323.5 million.

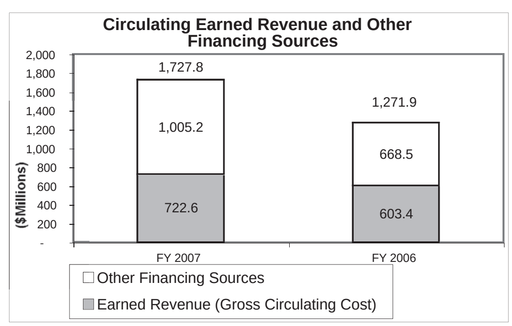


CIRCULATING COINAGE SHIPPED TO THE FEDERAL RESERVE BANKS

The United States Mint mints and issues the circulating coins used to conduct commercial transactions across the Nation. Coins are shipped to the FRB as they are needed to replenish inventory and fulfill commercial demand. The FRB pays the United States Mint face value for the coins when they are shipped.

CIRCULATING EARNED REVENUE AND OTHER FINANCING SOURCES

Earned revenue from circulating coinage equals the costs (metal, manufacturing, and transportation) incurred to make and distribute the coin, while "other financing sources" (also known as seigniorage) represents the difference between the cost to make the coin and the face value received from the FRB. Circulating earned revenue from coins shipped to the FRB of $722.6 million plus the circulating other financing sources of $1,005.2 million increased to $1,727.8 million in FY 2007. This compares with $603.4 million in earned revenue plus $668.5 million from other financing sources, totaling $1,271.9 million in FY 2006.



CIRCULATING EARNED REVENUE & OTHER FINANCING SOURCES (OFS) (in Millions)
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	One-cent	5-cent	Dime	Quarter	Half	Dollar	Mutilated & Other	Total
Revenue & OFS	$78.1	$64.4	$224.8	$677.8	$0.0	$682.7	$0.0	$1,727.8
Cost of Goods Sold	118.2	122.9	80.2	228.1	0.0	55.3	0.0	604.7
Selling, General & Administrative	0.0	0.0	10.9	34.0	0.0	48.6	0.0	93.5
Other Costs and Expenses	0.0	0.0	1.0	3.2	0.0	4.6	15.6	24.4
Other Financing Sources	-$40.1	-$58.5	$132.7	$412.5	$0.0	$574.2	-$15.6	$1,005.2

CIRCULATING EARNED REVENUE & OTHER FINANCING SOURCES (OFS) (in Millions)
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	One-cent	5-cent	Dime	Quarter	Half	Dollar	Mutilated & Other	Total
Revenue & OFS	$85.0	$72.6	$301.9	$751.1	$1.0	$60.3	$0.0	$1,271.9
Cost of Goods Sold	103.3	87.1	87.6	203.5	0.4	2.4	0.0	484.3
Selling, General & Administrative	0.0	0.1	24.5	63.3	0.0	6.7	0.0	94.6
Other Costs and Expenses	0.0	0.0	2.3	5.9	0.0	0.6	15.7	24.5
Other Financing Sources	-$18.3	-$14.6	$187.5	$478.4	$0.6	$50.6	-$15.7	$668.5

CIRCULATING COIN COSTS

FY 2007 was a particularly challenging year given significant increases in the prices of nickel, zinc and copper — the three primary components of our circulating coinage. High metal prices continued to have a significant effect on production costs, causing the one-cent and 5-cent denominations to cost more than their face values for the second fiscal year in a row.

UNIT COST OF PRODUCING AND DISTRIBUTING COINS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	One-cent	5-cent	Dime	Quarter	Half	Dollar
Cost of Goods Sold	$0.0165	$0.0949	$0.0357	$0.0841	$0.0000	$0.0835
General & Administrative	0.0000	0.0000	0.0048	0.0125	0.0000	0.0705
Distribution to FRB	0.0002	0.0004	0.0004	0.0012	0.0000	0.0033
Total Expenses	$0.0167	$0.0953	$0.0409	$0.0978	$0.0000	$0.1573

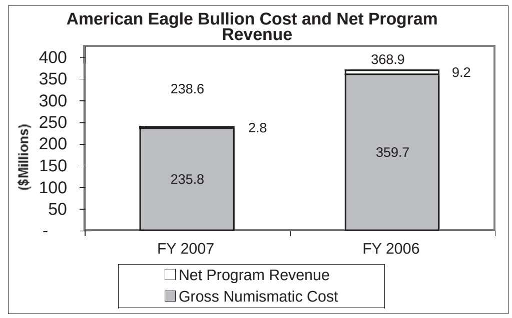
UNIT COST OF PRODUCING AND DISTRIBUTING COINS
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	One-cent	5-cent	Dime	Quarter	Half	Dollar
Cost of Goods Sold	$0.0119	$0.0592	$0.0294	$0.0681	$0.1729	$0.0495
General & Administrative	0.0000	0.0001	0.0081	0.0211	0.0000	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

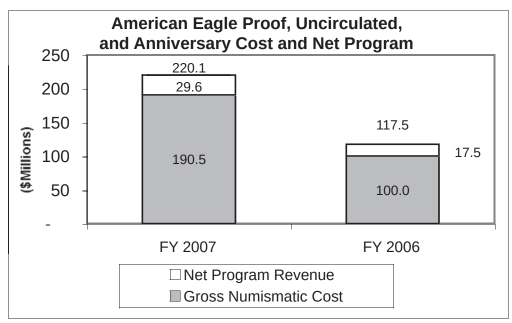
NUMISMATIC PRODUCTS SOLD TO THE PUBLIC

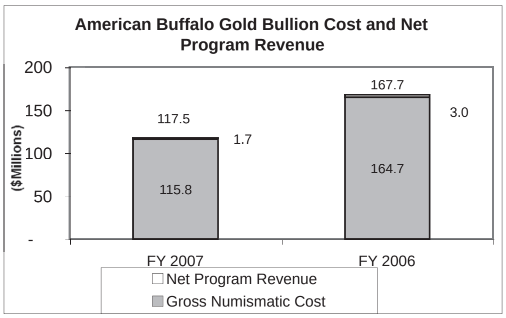
The United States Mint also produces and sells a variety of numismatic products directly to the public, and precious metal (gold, silver, and platinum) investment grade bullion coins to pre-qualified Authorized Purchasers for resale to the public. Total numismatic revenue plus other financing sources, and numismatic revenue plus other financing sources as a proportion of total United States Mint revenue, has been growing over the past three fiscal years. In FY 2007, numismatic revenue plus other financing sources represented 34 percent of total United States Mint revenue.

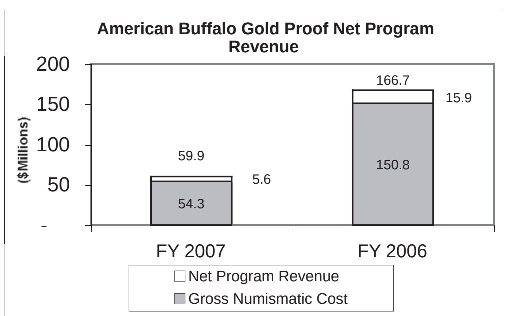
American Eagle Bullion Coins: American Eagle bullion coins are typically purchased by investors seeking a simple, tangible means to own and invest in precious metals. These coins are made in gold (22K), silver, and platinum. American Eagle silver bullion sales decreased to 7.8 million fine troy ounces (FTOs) and revenue decreased to $110.2 million in FY 2007, compared with 11.2 million FTOs sold and $130.5 million in revenue in FY 2006. American Eagle gold bullion sales decreased to 164 thousand FTOs in FY 2007, and revenue decreased to $110.3 million, compared with 395 thousand FTOs and $222.9 million in revenue in FY 2006. American Eagle platinum bullion sales increased to 14.6 thousand ounces, while revenue increased to $18.1 million in FY 2007, compared to 14.5 thousand ounces, and $15.5 million in revenue in FY 2006. In FY 2007, total American Eagle bullion revenues decreased to $238.6 million compared with $368.9 million in FY 2006.



American Eagle Proof, Uncirculated and 20th Anniversary Sets: American Eagle Proof coins are made in gold (22K), silver, and platinum. American Eagle Gold Proof coin sales increased to 182.9 thousand units, and revenue increased to $65.8 million in FY 2007. This compares with 166.6 thousand units sold and $55.2 million in revenue in FY 2006. American Eagle Silver Proof sales decreased to 767.0 thousand units sold with $22.60 million in revenue. This compares to 818.7 thousand units sold in 2006 with $22.6 million in revenue. American Eagle Platinum Proof sales decreased to 26.2 thousand units and $19.0 million in revenue in FY 2007. This compares with 32.8 thousand units sold and $22.2 million in revenue in FY 2006. American Eagle Proof net program revenues decreased to $12.9 million in FY 2007 from $16.4 million in FY 2006. The American Eagle Uncirculated coins were made available late in 2006 with shipping and revenues not realized until 2007. The American Eagle Uncirculated Gold sold 113.2 thousand units with $36.2 million in revenue, the American Eagle Uncirculated Silver sold 623.0 thousand units with $13.1 million in revenue and the American Eagle







Uncirculated Platinum sold 21.8 thousand units with $13.7 million in revenue. The American Eagle Uncirculated net program revenue was $7.5 million. The 20th Anniversary Sets net program revenues for FY 2007 were $9.1 million on revenues of $49.7 million which compares to the net program revenues of $1.1 million and revenues of $17.5 million in 2006.

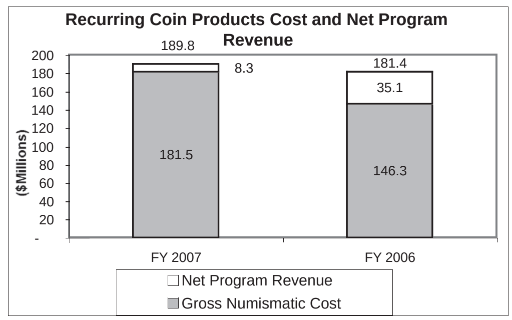
American Buffalo Gold Bullion Coins: FY 2007 marked the second year for the American Buffalo Gold Bullion Coin. This is the first 24-Karat gold coin produced by the United States Mint. In accordance with Title II of Public Law 109-145 (Presidential $1 Coin Act of 2005), as codified at 31 U.S.C. § 5112(a)(11) & (q), the coin is produced only in a one-ounce weight with a $50 denomination. In FY 2007, the American Buffalo Gold Bullion Coin sales decreased to 171 thousand ounces compared to 266.5 thousand ounces in FY 2006. The American Buffalo Gold Bullion net program revenue for FY 2007 was $1.7 million compared to $3.0 million in net program revenue in FY 2006.

American Buffalo Gold Proof Coins: FY 2007 also marked the second year of the American Buffalo 24-Karat Gold Proof Coin. This collectible product was sold in one-ounce units and generated sales of 73.9 thousand units and $59.9 million in earned revenue in FY 2007 compared to 208.7 thousand units and $166.7 million in earned revenue in FY 2006. Net program revenues for FY 2007 were $5.6 million compared to $15.9 million for FY 2006.

Commemorative Coins: Commemorative coins revenue (less surcharges paid to recipient organizations) increased to $45.6 million in FY 2007 from $24.9 million in FY 2006. Congress authorized the issuance of the Jamestown 400th Anniversary silver dollar and $5 gold coin and the Little Rock Central High School Desegregation 50th Anniversary Commemorative Coins, which were released in January 2007 and May 2007, respectively. The Jamestown 400th Anniversary Commemorative Coin Program generated $19.1 million in revenue and $5.0 million in surcharges for the designated beneficiary organizations. The Little Rock Central High School Desegregation 50th Anniversary Commemorative Coin Program generated $3.9 million in revenue and $1.5 million in surcharges for the designated recipient organization.

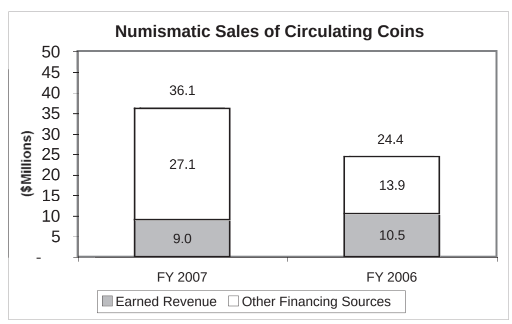
In 2006, Congress authorized the issuance of the San Francisco Old Mint Commemorative Coin Program. Because this program was signed into law late in the fiscal year, coins were not shipped, and total revenues did not accrue until FY 2007. Net program revenue for the San Francisco Old Mint Commemorative Coin Program in FY 2007 was $3.4 million, and surcharges collected for the designated recipient totaled $4.7 million. Surcharges paid to recipient organizations totaled $13.6 million in FY 2007.

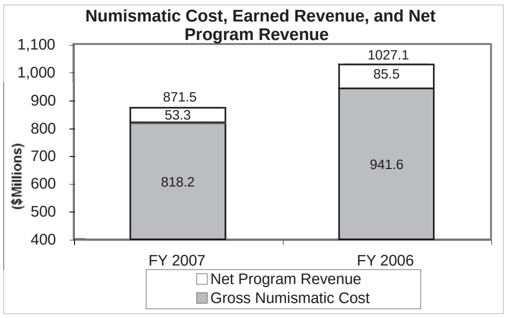
Recurring Programs: Recurring programs include Proof Sets, Silver Proof Sets, Uncirculated Sets, 50 State Quarters Proof Sets, 50 State Quarters Silver Proof Sets, and other miscellaneous products. Revenue from recurring programs increased to $189.8 million in FY 2007 from $181.4 million in FY 2006. Net program revenues decreased to $8.3 million in FY 2007 compared with $35.1 million in FY 2006. The recurring net revenue ratio decreased to 4.4 percent in FY 2007 from 19.3 percent in FY 2006.



Numismatic Sales of Circulating Coinage: With the introduction of the 50 States Quarters Program, the Golden Dollar and the 5-cent coin redesigns, there has been an increase in collector demand for circulating quality coins that have not yet been circulated. These coins are typically sold by the United States Mint in bags and rolls. Sales in this category represent the face value of the coins sold. All additional revenue above the face value, or above the production cost, whichever is higher, and any additional expenses incurred in selling these products, are included in the Numismatic Recurring Programs in the previous section.

Total numismatic earned revenue from the sale of circulating coinage plus other financing sources increased to $36.1 million in FY 2007 as compared with $24.4 million in FY 2006. As in the case of circulating coins sold to the FRB, the portion of the other financing sources from the sale of numismatic circulating coinage transferred to the Treasury General Fund represents off-budget receipts.





Numismatic Cost, Earned Revenue, and Net Program Revenue: Earned revenue for numismatic sales to the public (net of surcharges paid to recipient organizations) decreased to $871.5 million FY 2007. This compares with earned revenue of $1,027.1 million for numismatic sales to the public in FY 2006. The total net program revenue on the sale of numismatic products decreased to $53.3 million in FY 2007 compared with $85.5 million in FY 2006.

The following charts show total numismatic revenue and net program revenue for FY 2007 compared with FY 2006 results, and show costs and net program revenue by major product lines.

NUMISMATIC NET PROGRAM REVENUE (in Millions)
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	American Eagle Bullion	American Eagle Proof, Uncirculated & 20th Anniversary	American Buffalo Gold Bullion	American Buffalo Gold Proof & Uncirculated	Commemoratives	Recurring	Total
Revenue (less surcharges & commissions)	$238.6	$220.1	$117.5	$59.9	$45.6	$189.8	$871.5
Cost of Goods Sold	234.7	170.3	115.2	50.2	35.7	133.4	$739.5
Selling, General & Administrative	1.0	19.5	0.6	4.0	4.5	46.9	$76.5
Other Cost	0.1	0.7	0.0	0.1	0.1	1.2	$2.2
Net Program Revenue	$2.8	$29.6	$1.7	$5.6	$5.3	$8.3	$53.3
Net Program Revenue Ratio	1.2%	13.4%	1.4%	9.3%	11.6%	4.4%	6.1%

NUMISMATIC NET PROGRAM REVENUE (in Millions)
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	American Eagle Bullion	American Eagle Proof, Uncirculated & 20th Anniversary	American Buffalo Gold Bullion	American Buffalo Gold Proof	Commemoratives	Recurring	Total
Revenue (less surcharges & commissions)	$368.9	$117.5	$167.7	$166.7	$24.9	$181.4	$1,027.1
Cost of Goods Sold	358.7	83.8	164.2	136.9	14.6	100.4	$858.6
Selling, General & Administrative	0.9	15.7	0.5	13.5	5.4	44.8	$80.8
Other Cost	0.1	0.5	0.0	0.4	0.1	1.1	$2.2
Net Program Revenue	$9.2	$17.5	$3.0	$15.9	$4.8	$35.1	$85.5
Net Program Revenue Ratio	2.5%	14.9%	1.8%	9.5%	19.3%	19.3%	8.3%

PROTECTION OPERATIONS

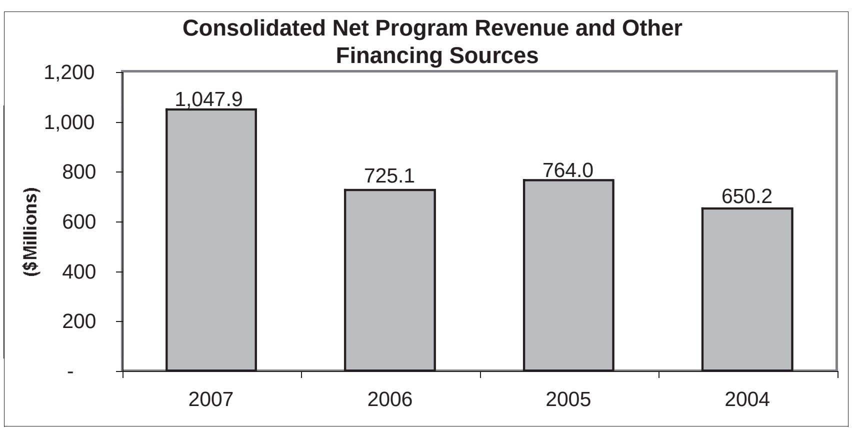
The United States Mint Office of Protection maintains a professional police force with the tools and resources needed to respond to the changing threats of today's environment. The Office of Protection is committed to recruiting and retaining the highest caliber law enforcement personnel and to maintaining a competitive compensation structure.

The Office of Protection secures approximately $184.5 billion in market value of the nation's gold and silver reserves and protects the United States Mint's assets while safeguarding our employees against potential threats at our facilities across the country. In FY 2007, the Protection Program had a net cost of $37.7 million, a decrease from a net cost of $42.8 million in FY 2006.

CAPITAL INVESTMENTS

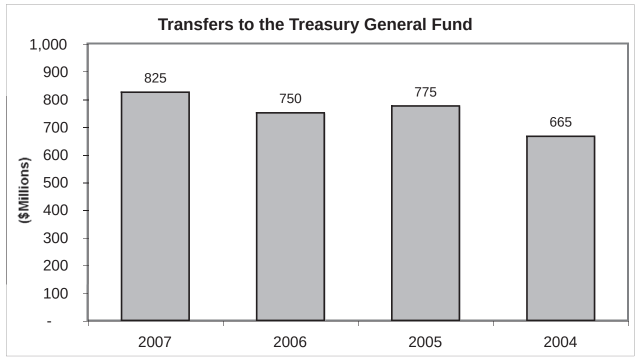
Each year, the United States Mint commits funds for capital projects to maintain, upgrade or acquire equipment, physical structures, physical security systems, and information technology systems. Funds obligated for capital projects totaled approximately $27.9 million in FY 2007. This included approximately $23.3 million for manufacturing projects, $2.0 million for security improvement projects, and $2.6 million for information technology projects. The United States Mint's capital projects are focused on improving processes, developing new coin design and production capabilities, and expanding information handling. These investments are planned to reduce costs, shorten the overall time from product concept to production, and achieve greater flexibility to respond to market demands.

TOTAL UNITED STATES MINT NET PROGRAM REVENUES AND OTHER FINANCING SOURCES



The net program revenues plus other financing sources increased to $1,047.9 million in FY 2007 from $725.1 million in FY 2006.

TRANSFERS TO THE TREASURY GENERAL FUND



The PEF permits the United States Mint to operate in a business-like manner, allowing the United States Mint flexibility to adjust spending to adapt to ever-changing economic and business conditions. As required by Public Law 104-52, the United States Mint transfers all profits to the Treasury General Fund, retaining only the amount required by the PEF to support United States Mint operations and programs.

In FY 2007, the United States Mint transferred $825 million to the Treasury General Fund. This total included $782 million in net operating results from the sale of circulating coins either to the FRB or through numismatic channels (off-budget), and $43 million from profits on numismatic collectible and bullion sales (on-budget). In comparison, $750 million ($666 million off-budget and $84 million on-budget) was transferred to the Treasury General Fund in FY 2006.

The amounts transferred to Treasury are directly related to the sales of United States Mint products. The total face value of circulating coins shipped to the Federal Reserve or sold through numismatic channels increased from the previous year. In a stable cost environment, an increase in circulating shipments would normally result in a larger source of funds available for transfer.

SUPPLEMENTAL INFORMATION PER PUBLIC LAW 107-201

Public Law 107-201 (July 23, 2002) authorized the United States Mint to purchase silver on the open market to mint coins when the silver in the Strategic and Critical Materials Stockpile was depleted. The law requires an annual reporting of the amount of silver purchased on the open market by fiscal year. The following represents purchases for FY 2007 and FY 2006:

	QUANTITY (FTO)	MARKET VALUE
FY 2007	*15,400,340.3630*	*$202,677,630.61*
FY 2006	*17,036,321.0010*	*$178,226,186.41*

PERFORMANCE GOALS, OBJECTIVES AND RESULTS

One of the most effective means of determining how well an organization is performing is through the use of performance measures. 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.

The United States Mint's strategic plan focuses on improving efficiency, ensuring integrity, valuing our employees, and operating at the utmost performance level expected of a federal agency. To assess our efforts, the United States Mint identified key performance measures that cut across the entire organization. Tied to these performance measures are high-level targets coupled with initiatives enabling us to reach our goals. These measures are presented as bureau-wide strategic performance measures, which establish a single, critical set of measures we use to monitor and to manage our operations effectively. The following table identifies our performance measures, targets and year-end achievements.

BUDGET PERFORMANCE MEASURES

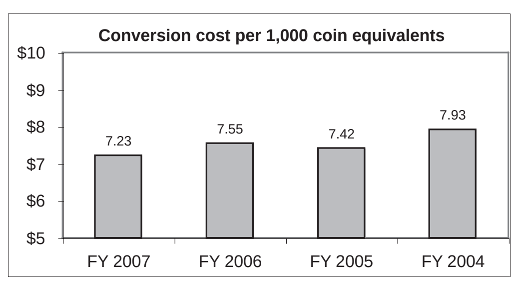
The following table shows the targets and results for performance measures presented as part of the FY 2007 Performance Budget.

	FY 2007 RESULT	FY 2007 TARGET	FY2006 RESULT
Conversion cost per 1,000 coin equivalents	$7.23	$7.27	$7.55
Cycle-time	61 days	75 days	72 days
Order fulfillment	98%	96%	95%
Protection cost per square foot	$31.75	$32.99	$32.49
Total losses	Not Available	$10,000	$0

ANALYSIS OF BUDGET PERFORMANCE MEASURES

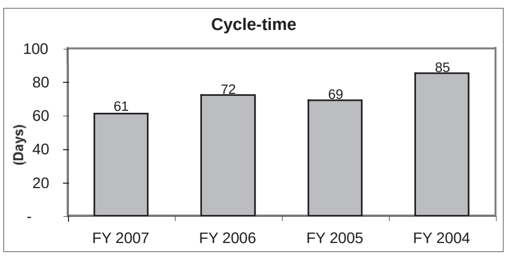
CONVERSION COST PER 1,000 COIN EQUIVALENTS

The United States Mint's costs vary by product, and the product mix has been variable over time. This makes it difficult to compare operating results from year to year. The coin equivalent (CE) calculation converts the production output to a common denominator based on the circulating quarter. Production costs, excluding metal and fabrication, are then divided by this standardized production level, thus resulting in "conversion costs per 1,000 coin equivalents." This allows comparison of performance over time by negating the effects of changes in the product mix. FY 2007 Conversion costs were $7.23 per 1000 CEs, below the target



of $7.27. This is an improvement of four percent from the FY 2006 result of $7.55. The FY 2007 target was based on a production forecast of 26,669 million CEs. However, during FY 2007, production was 23,964 million CEs (a ten percent reduction from the forecast). Coin equivalent production volumes were lower than expected due to reduced demand for bullion products and for the new Presidential $1 coins. While CE production was lower than expected, the target was met as conversion costs for that level of production were reduced by a slightly larger percent due to improved efficiencies and increased productivity through the use of technology and automation.

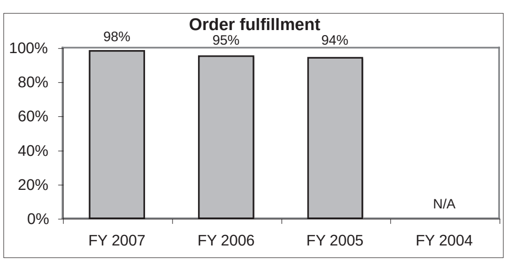
In order to continue improving results, several projects are in progress or in the planning stages. These projects would expand the use of digital design and engraving to reduce some process costs, and automate material movement in the production of dollar coins.



CYCLE-TIME

The cycle time measure assesses the time it takes material to flow through the United States Mint's processes from raw material to order fulfillment. The United States Mint's objective is to minimize the amount of time required to process raw materials into finished goods by eliminating non-value added steps from the processes and reducing the amount of raw material in inventory. As of September 2007, cycle-time was 61 days, a decrease of 11 days as of September 2006. The targeted cycle-time was 75 days. This improvement is a result of lower raw materials and finished goods inventories along with a higher average daily production rate.

The United States Mint will continue to promote "Lean Manufacturing" and automation projects to reduce raw material and work-in-progress inventories to shorten cycle time. A penny blank storage and retrieval system is planned similar to the coil handling system already in place.



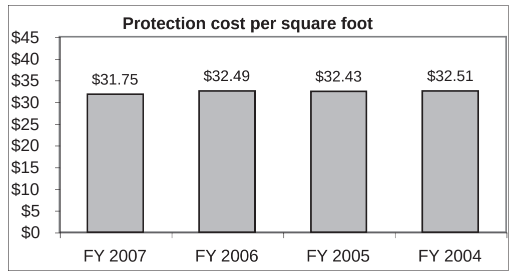
ORDER FULFILLMENT

Order fulfillment is a measure that tracks the overall order fulfillment for the circulating coins shipped to the Federal Reserve Bank and the numismatic coins sold to the public. Both components are then weighted by their respective share of the total revenues and other financing sources. The United States Mint order fulfillment performance at 98% for FY 2007 surpassed the target of 96%. This improves upon the FY 2006 result of 95% by 3%. This measure indexes the order fulfillment rates of two business lines, circulating and numismatic, by their respective revenues. This performance means that 98% of revenues are from products delivered on-time.

The United States Mint will continue to foster a close relationship with the Federal Reserve Bank to ensure that the order fulfillment rate for circulating coins remains high. Customer service to numismatic customers remains a priority, and the United States Mint personnel will continue to closely monitor numismatic order fulfillment.

PROTECTION COST PER SQUARE FOOT

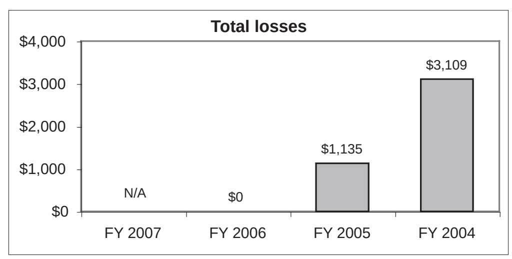
Protection cost per square foot consists of the Office of Protection's total operating cost divided by the area of usable space. Usable space is defined as 90% of the total square footage. The Office of Protection uses the cost per square foot to provide a measurement of efficiency over time. The square footage of usable space at the United States Mint is a stable figure and will only change significantly with major events such as the addition or removal of a facility. Protection cost per square foot is $31.75 for FY 2007, lower than the target of $32.99 by four percent. This result is an improvement of two percent from the FY 2006 result of $32.49. The United States Mint Office of Protection made efforts to curtail some travel expenses, and actual expenses related to a planned buyout ended up lower than expected.



The United States Mint Office of Protection will continue efforts to contain costs, while maintaining proper operations to fulfill protection responsibilities. Projects to automate entry and exit at facilities are expected to reduce the need for staffing 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 measures the dollar amount of losses incurred because of the realization of threats against the United States Mint. Total losses measures losses within three categories representing cases that have been investigated and closed:



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

The United States Mint FY 2007 result is not available at this time. At the end of FY 2007, the United States Mint initiated a review to examine the policies and procedures that serve as the basis for this measure. The FY 2007 result for the Total Losses measure is pending the outcome of this review. The review is expected to be completed during FY 2008 and the results for FY 2007 will be published in subsequent budget reports and in the FY 2008 annual report.

CURRENT AND FUTURE CHALLENGES

The United States Mint is being challenged by a wide range of changes in the world around us — changes in how people purchase goods and services, rapidly rising metal costs, and whether people collect coins as a hobby or investment. While the United States Mint is not in a position to control these changes in the outside world, we are in a position to control how we prepare for them and how we respond to them. We have chosen to take a proactive approach in addressing them — working closely with our stakeholders, customers and vendors to safeguard, to the greatest extent practicable, our ability to continue to effectively fulfill the United States Mint's mission to the American public.

KEY CHALLENGES

PROMOTING ROBUST CIRCULATION OF $1 COINS

As of September 30, 2007, 673 million Presidential $1 Coins have been ordered by the Federal Reserve Bank. While the total for the first-year orders of the Presidential $1 Coins could reach over 900 million, the coins have not yet entered into general circulation and continue to be seen as a collectible. The United States Mint is currently finalizing plans to educate more vendors, transit agencies, retailers and citizens on the utility of $1 coins to promote general circulation. In addition, we need to continue efforts to enable the most efficient and effective distribution chain from the United States Mint and the Federal Reserve Bank into the hands of consumers.

RISING PRICES OF METAL LEADING TO HIGHER PRODUCTION COSTS

Steady and dramatic increases in the prices of zinc, copper, and nickel have raised the cost of producing circulating coinage. This continues to cause the one-cent and 5-cent coins to cost more than their face values on a per-unit basis.

THE MOST POPULAR NUMISMATIC COIN PROGRAM IS COMING TO AN END

In recent years, there has been an increased demand for numismatic products — due in large part to the overwhelming popularity of the 50 State Quarters products. However, this numismatic product line will cease when the 50 State Quarters Program ends in December 2008.

ANALYSIS OF SYSTEMS, CONTROLS AND LEGAL COMPLIANCE

INTERNAL CONTROLS PROGRAM

MANAGEMENT ASSURANCES

The United States Mint's management team is responsible for establishing and maintaining effective internal controls, which includes safeguarding of assets and compliance with applicable laws and regulations. Therefore, the United States Mint has made a conscientious effort during FY 2007 to meet the internal control requirements of the Federal Managers' Financial Integrity Act (FMFIA), the Federal Financial Management Improvement Act (FFMIA), Office of Management and Budget (OMB) Circular A-123, and the Government Performance and Results Act (GPRA) of 1993.

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 all 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.

The United States Mint has assessed its internal controls and, for all its responsibilities, we hereby provide a qualified statement of assurance that the above listed management control objectives, taken as a whole, were achieved with the exception of one material weakness. Details of the exception are provided in the next section. 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 the Federal Financial Management Improvement Act (FFMIA). These assurances are as of September 30, 2007.

The United States Mint's management is responsible for establishing and maintaining effective internal control over financial reporting, which includes safeguarding of assets and compliance with applicable laws and regulations. The United States Mint conducted an assessment of the effectiveness of the United States Mint's internal control over financial reporting for the period ending June 30, 2007. This assessment was conducted in accordance with OMB Circular A-123, "Management's Responsibility for Internal Control." The FY 2007 assessment was conducted by obtaining and documenting an understanding of the policies, processes and procedures in effect, determining the significant control mechanisms and performing detailed tests of transactions to ascertain the effectiveness of the identified controls. Each control tested was considered in light of the associated and/or mitigating controls that were in effect. The overall result was considered and conclusions obtained as to the overall effectiveness of the controls in place. Based on the results of this evaluation, the United States Mint has determined that a material weakness has resulted as of June 30, 2007, for FY 2007.

MATERIAL WEAKNESS

The United States Mint assessment team determined that the material weakness had a root cause centering around changes to the organization and processes resulting from the conversion of its automated financial system from an in-house managed system to a new system under an arrangement with a third party service provider. This significant change in systems has required the United States Mint to redesign and implement new and/or revised controls and reporting processes that focused on two primary areas: financial reporting and inventory management. While the majority of the reporting aspects were resolved by fiscal year end, the internal control over financial operations was weakened for a significant part of the year. Internal control over inventory management was weakened during the fiscal year while new procedures were developed and personnel trained in their proper application.

The United States Mint is committed to maintaining effective systems of internal control; therefore, subsequent to the determination that a material weakness existed, the United States Mint took aggressive steps to implement corrective actions to resolve the material weakness. The United States Mint has made significant progress toward making the necessary changes and has developed a corrective action plan to address enhancements needed to resolve the noted weakness. As a result of these efforts, the United States Mint has implemented corrective actions for all except three specific components as of September 30, 2007. It is management's position that the remaining issues will be resolved within a reasonable timeframe and a vigilant oversight will ensure a proper system of internal controls will be in operation in the near future.

LEGAL COMPLIANCE

The United States Mint was found to be in full compliance with FFMIA at the transaction level.

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 prescribed by 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, 2007 and 2006, 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, 2007 and 2006, 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.

As disclosed in Note 1 to the financial statements, the United States Mint changed its method of reporting the reconciliation of budgetary resources obligated to the net cost of operations in fiscal year 2007.

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a member of KPMG International, a Swiss cooperative.

The information in 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 and OMB Circular No. A-136, *Financial Reporting Requirements*. 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 4, 2007, 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, 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 4, 2007

DEPARTMENT OF THE TREASURY
UNITED STATES MINT
BALANCE SHEETS
(In Thousands)

	As of September 30, 2007	2006
ASSETS		
Intragovernmental:		
Fund Balance with Treasury (Note 3)	$255,731	$225,917
Accounts Receivable, Net (Note 4)	5,870	0
Advances and Prepayments (Note 5)	4,452	3,948
Total Intragovernmental Assets	266,053	229,865
Custodial Gold and Silver Reserves (Note 6)	10,493,740	10,493,740
Accounts Receivable, Net (Note 4)	80,279	28,120
Inventory and Related Property (Notes 7 & 20)	418,072	253,329
Supplies	14,635	15,318
Property, Plant and Equipment, Net (Note 8)	218,014	233,394
Advances and Prepayments (Note 5)	1,805	1,859
Total Non-Intragovernmental Assets	11,226,545	11,025,760
Total Assets (Notes 2 and 14)	$11,492,598	$11,255,625
Heritage Assets (Note 9)		
LIABILITIES		
Intragovernmental:		
Accounts Payable	$509	$1,183
Accrued Workers' Compensation and Benefits	7,117	6,541
Unearned Revenues	156	0
Total Intragovernmental Liabilities	7,782	7,724
Custodial Liability to Treasury (Note 6)	10,493,740	10,493,740
Accounts Payable	60,096	52,436
Surcharges Payable (Note 3)	6,526	8,361
Accrued Payroll and Benefits	15,353	14,923
Other Actuarial Liabilities	29,704	31,482
Unearned Revenues	1,891	3,362
Total Non-Intragovernmental Liabilities	10,607,310	10,604,304
Total Liabilities (Notes 10 and 14)	$10,615,092	$10,612,028
Commitments and Contingencies (Notes 12 & 13)		
NET POSITION		
Cumulative Results of Operations - Earmarked Funds (Note 14)	877,506	643,597
Total Liabilities and Net Position	$11,492,598	$11,255,625

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

DEPARTMENT OF THE TREASURY
UNITED STATES MINT
STATEMENTS OF NET COST
(In Thousands)

	For The Years Ended September 30, 2007	2006
NUMISMATIC PRODUCTION AND SALES		
Gross Cost	$818,184	$941,691
Less Earned Revenue	(871,472)	(1,027,161)
Net Program Revenue	(53,288)	(85,470)
NUMISMATIC PRODUCTION AND SALES OF CIRCULATING COINS		
Gross Cost	9,011	10,459
Less Earned Revenue	(9,011)	(10,459)
Net Program Revenue	-	-
CIRCULATING PRODUCTION AND SALES		
Gross Cost	722,582	603,352
Less Earned Revenue (Note 16)	(722,582)	(603,352)
Net Program Revenue	-	-
Net Revenue Before Protection of Assets	(53,288)	(85,470)
PROTECTION OF ASSETS		
Protection Costs	37,683	42,886
Less Earned Revenue	(0)	(59)
Net Cost of Protection of Assets	37,683	42,827
Net Revenue from Operations (Notes 14 and 15)	($15,605)	($42,643)

The accompanying notes are an integral part of these financial statements

DEPARTMENT OF THE TREASURY
UNITED STATES MINT
STATEMENTS OF CHANGES IN NET POSITION
(In Thousands)

	For The Years Ended September 30,	
	2007	**2006**
CUMULATIVE RESULTS OF OPERATIONS		
NET POSITION, Beginning of Year - Earmarked Funds (Note 14)	$643,597	$657,524
FINANCING SOURCES:		
Transfers to the Treasury General Fund On-Budge	(43,000)	(84,000)
Transfers to the Treasury General Fund Off-Budget	(782,000)	(666,000)
Other Financing Sources (Seigniorage) (Note 16)	1,032,284	682,480
Imputed Financing Sources (Note 11)	11,020	10,950
Total Financing Sources	218,304	(56,570)
Net Revenue from Operations	15,605	42,643
Net Position, End of Year - Earmarked Funds (Note 14)	$877,506	$643,597

The accompanying notes are an integral part of these financial statements

DEPARTMENT OF THE TREASURY
UNITED STATES MINT
STATEMENTS OF BUDGETARY RESOURCES
(In Thousands)

	For The Years Ended September 30, 2007	2006
Budgetary Resources		
Unobligated balance, brought forward, October 1	$40,549	$112,870
Recoveries of prior-year unpaid obligations	15,389	-
Budget authority		
Spending authority from offsetting collections		
Earned		
Collected	1,863,258	1,650,475
Change in receivable from federal sources	5,870	(58)
Change in unfilled customer orders		
Advance received	2,047	-
Without advance from federal sources	30	-
Anticipated for Rest of Year, Without Advance	-	-
Subtotal	1,871,205	1,650,417
Permanently not available	(43,000)	(84,000)
Total Budgetary Resources	$1,884,143	$1,679,287
Status of Budgetary Resources		
Obligations incurred		
Reimbursable (Note 17)	$1,831,055	$1,638,738
Unobligated balances		
Apportioned	53,088	40,549
Total Status of Budgetary Resources	$1,884,143	$1,679,287
Change in Obligated Balances		
Obligated balance, net		
Unpaid obligations, brought forward, October 1	$179,561	$160,848
Less: Uncollected customer payments from federal sources, brought forward, October 1	-	(58)
Total unpaid obligated balance, net	179,561	160,790
Obligations incurred, net (Note 17)	1,831,055	1,638,738
Gross outlays	1,786,683	1,619,945
Recoveries of prior-year unpaid obligations, actual	15,389	
Change in uncollected customer payments from federal sources	5,900	(58)
Obligated balance, net, end of the period		
Unpaid obligations	208,543	179,561
Uncollected customer payments from federal sources	(5,900)	-
Total unpaid obligated balance, net, end of period	202,643	179,561
Net Outlays		
Net outlays		
Gross outlays	1,786,683	1,619,945
Collections	(1,865,305)	(1,650,475)
Total Outlays	($78,622)	($30,530)

The accompanying notes are an integral part of these financial statements

DEPARTMENT OF THE TREASURY
UNITED STATES MINT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

(Dollars are in thousands except Fine Troy Ounce information)

NOTE 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 mission of the United States Mint is to manufacture coins for general circulation, to manufacture and sell numismatic products for the benefit of the Federal Government and various recipient organizations, and to protect certain federal assets in its custody. 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.

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

Pursuant to Public Law 104-52, *Treasury Postal Service and General Government Appropriation Bill for FY 1996*, as codified at 31 U.S.C § 5136, the PEF was established to account for all revenues and expenses related to production and sale of numismatic products 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. For the fiscal year ended September 30, 2007, OMB changed the required reconciliation of net costs to budgetary resources from the separately presented Statement of Financing to a note disclosure (see note 21).

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. All intra-United States Mint transactions and balances have been eliminated.

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 Federal Reserve Banks. 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. Coins are sold at face value. The difference between the face value of circulating coins sold and the total cost of producing those coins is considered an "other financing source" in accordance with FASAB guidelines.

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 United States Mint's 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 program revenue. 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 to other federal government entities. For the purpose of presentation, rental revenue is combined with numismatic sales on the statement of net cost.

Protection Revenue: This is derived from revenue received for protection services provided to other federal agencies.

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 $1.292929292 per FTO of silver.

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 Congressionally authorized 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 where 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 received 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 of 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, *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 fund raising 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 United States Mint Public Enterprise Fund (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 or 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 Strategic Business Unit, 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 at the face value of these coins if the coins are individually identifiable. 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 to be recycled 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 its circulating products from three vendors at competitive market prices.

RECLASSIFICATIONS

Certain fiscal year 2006 amounts have been reclassified to conform to current year presentation.

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 numismatic transfers to the General Fund.

NOTE 2 NON-ENTITY ASSETS

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

	2007	2006
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	998,858	761,885
Total Assets	$11,492,598	$11,255,625

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.

NOTE 3 FUND BALANCE WITH TREASURY

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, 2007 and 2006, the revolving fund balance included $6.5 million and $8.4 million, respectively, in restricted amounts for possible payment of surcharges to recipient organizations.

Fund Balance with Treasury at September 30 consists of:

	2007	2006
Revolving Fund	$255,731	$225,917
Total Fund Balance with Treasury	$255,731	$225,917
Status of Fund Balance with Treasury		
Unobligated Balance	$53,088	$40,549
Obligated Balance, Not Yet Disbursed	202,643	185,368
Total	$255,731	$225,917

NOTE 4 ACCOUNTS RECEIVABLE, NET

Components of accounts receivable are as follows:

	September 30, 2007		
	Gross Receivables	Allowance	Net Receivables
Intragovernmental	$5,870	$0	$5,870
With the Public	80,671	(392)	80,279
Total Accounts Receivable	$86,541	($392)	$86,149

	September 30, 2006		
	Gross Receivables	Allowance	Net Receivables
Intragovernmental	$0	$0	$0
With the Public	28,317	(197)	28,120
Total Accounts Receivable	$28,317	($197)	$28,120

At September 30, 2007, there were approximately $5.9 million in intragovernmental accounts receivable, compared to none at September 30, 2006. This represents amounts due to the United States Mint relative to a joint numismatic product with another agency. Receivables with the public at September 30, 2007 primarily consist of $77.1 million in accounts receivable from metal scrap and webbing sold to fabricators. This compares to $21 million at September 30, 2006. 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.

NOTE 5 ADVANCES AND PREPAYMENTS

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

	2007	2006
Intragovernmental	$4,452	$3,948
With the Public	1,805	1,859
Total Other Assets	$6,257	$5,807

Intragovernmental advances and prepayments at September 30, 2007 and 2006, include $2.5 million and $1.9 million, respectively, 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 is undergoing an entity-wide security upgrade which requires progress payments be made to other federal agencies for construction and other related services. As of September 30, 2007 and 2006, the balances for such payments were $1.1 million each year. The remaining balance of approximately $810 thousand represents payments made to the United States Postal Service for product delivery services at September 30, 2007, compared to $900 thousand paid at September 30, 2006.

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

NOTE 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 FTO of gold and $1.292929292 per FTO of silver are used to value the entire custodial reserves held by the United States Mint.

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 the custody of the United States Mint at September 30 are as follows:

	2007	2006
Gold - Deep Storage:		
Inventories (FTO)	245,262,897	245,262,897
Market Value ($ per FTO)	$743.00	$599.25
Market Value ($ in thousands)	$182,230,333	$146,973,791
Statutory Value ($ in thousands)	$10,355,539	$10,355,539
Gold - Working Stock:		
Inventories (FTO)	2,783,219	2,783,219
Market Value ($ per FTO)	$743.00	$599.25
Market Value ($ in thousands)	$2,067,932	$1,667,844
Statutory Value ($ in thousands)	$117,514	$117,514
Silver - Deep Storage:		
Inventories (FTO)	7,075,171	7,075,171
Market Value ($ per FTO)	$13.65	$11.55
Market Value ($ in thousands)	$96,576	$81,718
Statutory Value ($ in thousands)	$9,148	$9,148
Silver - Working Stock:		
Inventories (FTO)	8,924,829	8,924,829
Market Value ($ per FTO)	$13.65	$11.55
Market Value ($ in thousands)	$121,824	$103,082
Statutory Value ($ in thousands)	$11,539	$11,539
Total *Market* Value of Custodial Gold and Silver Reserves ($ in thousands)	$184,516,665	$148,826,435
Total *Statutory* Value of Custodial Gold and Silver Reserves ($ in thousands)	$10,493,740	$10,493,740

NOTE 7 INVENTORY AND RELATED PROPERTY

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

	2007	2006
Raw Materials	$229,440	$113,827
Work-In-Process	89,878	61,324
Inventory held for current sale	98,754	56,671
Inventory held in reserve for future sale	-	21,507
Total Inventory and Related Property	$418,072	$253,329

Raw materials consist of unprocessed materials and byproducts 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, the inventory includes $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. Inventory held for current sale is finished goods inventories. Inventory held in reserve for future sale consists of golden dollar coin coil, all of which was consumed in FY 2007.

NOTE 8 PROPERTY, PLANT AND EQUIPMENT, NET

Components of property, plant and equipment are as follows:

	September 30, 2007		
	Asset Cost	Accumulated Depreciation and Amortization	Total Property, Plant and Equipment, Net
Land	$2,529	$0	$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

	September 30, 2006		
	Asset Cost	Accumulated Depreciation and Amortization	Total Property, Plant and Equipment, Net
Land	$2,529	$0	$2,529
Structures, Facilities and Leasehold Improvements	198,181	(116,363)	81,818
Computer Equipment	30,593	(24,287)	6,306
ADP Software	92,188	(81,648)	10,540
Construction-In-Progress	8,496	-	8,496
Machinery and Equipment	220,401	(96,696)	123,705
Total Property, Plant and Equipment, Net	$552,388	($318,994)	$233,394

United States Mint facilities 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, 2007 and 2006, were $37.9 million and $56.7 million, respectively.

NOTE 9 HERITAGE ASSETS

One mission of the United States Mint is to manufacture coins for circulation and numismatic sales. Assets classified as heritage assets are predominately coins manufactured in prior years that are held for historical archival purposes. These coins are examples of the various coins produced by the United States Mint over the years. Also included in heritage assets are selected artifacts (e.g., 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.

NOTE 10 LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

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

	2007	2006
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	121,352	118,288
Total Liabilities	$10,615,092	$10,612,028

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.

NOTE 11 RETIREMENT PLANS AND OTHER POST-EMPLOYMENT COSTS (IMPUTED FINANCING)

At the end of FY 2007, 326 United States Mint employees participated in the Civil Service Retirement System (CSRS), to which the United States Mint contributes seven percent of basic pay. 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 FY 2007. 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 25.0 percent of basic pay for CSRS-covered employees and 12.0 percent of basic pay for FERS-covered employees were in use for FY 2007. These cost factors remain unchanged from FY 2006.

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

	2007	2006
Social Security System	$6,707	$8,249
Civil Service Retirement System	1,632	1,515
Federal Employees Retirement System		
(Retirement & Thrift Savings Plan)	10,858	14,883
Total Retirement Plans and Other Post-employment Cost	$19,197	$24,647

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 $5,572 and $5,229 per employee enrolled in the Federal Employees Health Benefits Program in FY 2007 and FY 2006, 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 2007 and FY 2006.

The amount of imputed cost incurred by the United States Mint for the year ended September 30 is as follows (before the offset for imputed financing):

	2007	2006
Health Benefits	$8,427	$8,266
Life Insurance	11	22
Pension Expense	2,582	2,662
Total Imputed Cost	$11,020	$10,950

NOTE 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 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 sub-leases office space 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, 2007, the United States Mint sub-leased in excess of 182,000 square feet in two leased buildings. As of September 30, 2007, tenants include: the Internal Revenue Service, the Treasury Executive Institute, the Bureau of the Public Debt, the U.S. Customs Service 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.

NOTE 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 $21.1 million at September 30, 2007. The United States Mint is subject to various other legal proceedings and claims. In management's opinion, the ultimate resolution of other actions will not materially affect the United States Mint's financial position or net cost.

NOTE 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*.

NOTE 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.

NUMISMATIC PRODUCTION AND SALES	2007	2006
Cost:		
Intragovernmental:		
Selling, General and Administrative	$9,091	$30,870
Imputed Costs	2,204	2,190
Total Intragovernmental Costs	11,295	33,060
Public:		
Cost of Goods Sold	739,506	858,577
Selling, General and Administrative	67,383	50,054
Total Public Cost	806,889	908,631
Gross Cost	818,184	941,691
Revenue:		
Intragovernmental:		
Rent Revenues	8,471	7,852
Other Intragovernmental Revenues	260	139
Total Intragovernmental Revenues	8,731	7,991
Public	862,741	1,019,170
Total Earned Revenue	871,472	1,027,161
Net Program Revenue	($53,288)	($85,470)

NUMISMATIC PRODUCTION AND SALES OF CIRCULATING COINS		
Cost:		
Intragovernmental:		
Selling, General and Administrative	$474	$792
Imputed Costs	-	-
Total Intragovernmental Costs	474	792
Public:		
Cost of Goods Sold	5,020	8,384
Selling, General and Administrative	3,517	1,283
Total Public Cost	8,537	9,667
Gross Cost	9,011	10,459
Revenue:		
Public	9,011	10,459
Total Earned Revenue	9,011	10,459
Net Program Revenue	$0	$0

CIRCULATING PRODUCTION AND SALES		
Cost:		
Intragovernmental:		
Selling, General and Administrative	$21,622	$42,227
Imputed Costs	8,815	8,760
Total Intragovernmental Costs	30,437	50,987
Public:		
Selling, General and Administrative	604,688	484,324
Imputed Costs	71,830	52,319
Other Costs and Expenses (Mutilated and Uncurrent)	15,627	15,722
Total Public Cost	692,145	552,365
Gross Cost	722,582	603,352
Revenue:		
Public	722,582	603,352
Total Earned Revenue	722,582	603,352
Net Program Revenue	$0	$0
Net Revenue Before Protection of Assets	($53,288)	($85,470)

PROTECTION OF ASSETS		
Public:		
Protection Cost	$37,683	$42,886
Total Earned Revenue	-	(59)
Net Cost of Protection of Assets	$37,683	$42,827
Net Revenue from Operations	($15,605)	($42,643)

NOTE 16 EARNED REVENUES AND OTHER FINANCING SOURCE (SEIGNIORAGE)

Earned revenues and other financing source (seigniorage), whether from the FRB or from the public, are recognized upon the shipment of circulating coins and numismatic sales of circulating coins. 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 or to other federal entities. 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 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:

	2007	2006
Revenue-FRB	$722,582	$603,352
Other Financing Source (Seigniorage)-FRB	1,005,194	668,506
Total Circulating Coins	$1,727,776	$1,271,858
Revenue-with the public	$9,011	$10,459
Other Financing Source (Seigniorage)-with the public	27,090	13,974
Total Numismatic Sales of Circulating Coins	$36,101	$24,433

NOTE 17 APPORTIONMENT CATEGORIES OF OBLIGATIONS INCURRED

The United States Mint receives apportionments of its resources from OMB. An apportionment is a plan, approved by the 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:

(in thousands)

	2007	2006
Reimbursable:		
Category B		
Total Operating Expenses	$1,809,473	$1,618,526
Numismatic Capital	9,245	11,162
Circulating and Protection Capital	12,337	9,050
Total Apportionment Categories of Obligations Incurred	$1,831,055	$1,638,738

NOTE 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 2007 is expected to be published in February 2008 and made available through OMB. The following chart displays the differences between the Statement of Budgetary Resources and the actual FY 2006 balances included in the FY 2008 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 made necessary corrections to budgetary account balances.

	September 30, 2006	
United States Mint Public Enterprise Fund	Statement of Budgetary Resources	President's Budget
Total Budgetary Resources	$1,679,287	$1,635,240
Status of Budgetary Resources:		
Obligations Incurred	1,638,738	1,527,301
Unobligated Balances-available	40,549	107,939
Total Status of Budgetary Resources	$1,679,287	$1,635,240
Net Outlays	($30,530)	($30,530)

NOTE 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, 2007 and 2006, the United States Mint transferred excess receipts to the Treasury General Fund of $825 million and $750 million, respectively.

NOTE 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 of 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 (AP's). 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. To date, the United States Mint has incurred $43 thousand in hedging fees causing minimal impact on the statement of net cost.

The $27.0 million in hedging activity 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 2007, the United States Mint recorded an unrealized gain from hedging activity of $1.6 million.

NOTE 21 RECONCILIATION OF NET COST OF OPERATIONS TO BUDGET

	For The Years Ended September 30,	
	2007	2006
Resources Used to Finance Activities:		
Budgetary Resources Obligated		
Obligations Incurred	$1,831,055	$1,638,738
Less: Spending Authority from Offsetting collections and Recoveries	1,886,594	1,650,417
Net Obligation	(55,539)	(11,679)
Other Resources		
Transfers to the Treasury General Fund On-Budget	(43,000)	(84,000)
Transfers to the Treasury General Fund Off-Budget	(782,000)	(666,000)
Imputed Financing from Costs Absorbed by Others	11,020	10,950
Other Financing Sources (Seigniorage)	1,032,284	682,480
Net Other Resources Used to Finance Activities	218,304	(56,570)
Total Resources Used to Finance Activities	162,765	(68,249)
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	18,246	13,456
Resources that Finance the Acquisition of Assets or Liquidation of Liabilities	189,814	99,315
Other	(43,000)	(84,000)
Total Resources Used to Finance Items Not Part of the Net Cost of Operations:	165,060	28,771
Total Resources Used to Finance the Net Cost of Operations	(2,295)	(97,020)
Components Requiring or Generating Resources in Future Periods		
Increase in Exchange Revenue Receivble from the Public	(52,159)	(13,219)
Total Components of Net Cost of Operations that will Require or Generate Resources in Future Periods	(52,159)	(13,219)
Components not Requiring or Generating Resources in the Current Period:		
Depreciation and Amortization	37,879	56,666
Revaluation of Assets	(1,437)	11,068
Other	2,407	(138)
Total Components of Net Revenue from Operations that will not require or Generate Resources	38,849	67,596
Total Components of Net Revenue from Operations that will not require or Generate Resources in the Current Period	(13,310)	54,377
Net Revenue from Operations	($15,605)	($42,643)

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

DEPARTMENT OF THE TREASURY
UNITED STATES MINT
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 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 State 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, 2007. 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, 2007
Non Precious Metal Coin Collection	1
Silver Coin Collection	1
Gold And Extremely Rare Coin Collection	1
Total	3

HISTORICAL ARTIFACTS	QUANTITY OF ITEMS HELD SEPTEMBER 30, 2007
Furniture Collections (includes antiques)	2
Equipment Collection	1
Total	3

KPMG LLP
2001 M Street, NW
Washington, DC 20036

Independent Auditors' Report on Internal Control

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, 2007 and 2006 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 4, 2007. As disclosed in Note 1 to the financial statements, the United States Mint changed its method of reporting the reconciliation of budgetary resources obligated to the net cost of operations in fiscal year 2007.

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.

INTERNAL CONTROL OVER FINANCIAL REPORTING

The management of the United States Mint is responsible for establishing and maintaining effective internal control. In planning and performing our fiscal year 2007 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 control, 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. We limited our internal control testing to those controls necessary to achieve the objectives described in *Government Auditing Standards* and OMB Bulletin No. 07-04. 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

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described in the preceding paragraph of this section 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 over financial reporting. 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 2007 audit, we consider the deficiency, described in Exhibit I, to be a significant deficiency in internal control over financial reporting. We believe that the significant deficiency presented in Exhibit I is a material weakness. Exhibit II presents the status of prior year reportable conditions.

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

INTERNAL CONTROL OVER PERFORMANCE MEASURES

As required by OMB Bulletin No. 07-04 in our fiscal year 2007 audit, with respect to internal control related to performance measures determined by management to be key and reported in Management's Discussion and Analysis, we obtained an understanding of the design of internal controls relating to the existence and completeness assertions and determined whether these internal controls had been placed in operation. We limited our testing to those controls necessary to report deficiencies in the design of internal control over key performance measures in accordance with OMB Bulletin 07-04. However, our procedures were not designed to provide an opinion on internal control over reported performance measures and, accordingly, we do not provide an opinion thereon. In our fiscal year 2007 audit, we noted no deficiencies involving the design of the internal control over the existence and completeness assertions related to key performance measures that we consider to be material weaknesses as defined above.

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 4, 2007

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THE UNITED STATES MINT

Material Weakness

September 30, 2007

Improvement needed in Internal Controls related to Financial Accounting and Reporting

The United States Mint encountered a number of challenges resulting from the fiscal year 2007 conversion to Oracle Financial Systems (Oracle) utilized by the Bureau of the Public Debt's (BPD) Administrative Resource Center (ARC), the United States Mint's financial service provider.

Although the United States Mint conducted pre-conversion testing, it encountered implementation issues related to converting data from its legacy accounting system and developing new accounting processes to effectively implement the new system. Key reconciliations, and reports needed for management, were not available following the conversion to Oracle for approximately the first half of the fiscal year. In addition the financial reporting process lacked sufficient policies, procedures and internal controls to ensure accurate and timely financial reporting throughout the year. Specifically we noted:

- Reconciliations were not performed in inventory and financial reporting;
- Lack of management oversight related to human resource payroll reconciliations and journal entry approval;
- Policies and procedures were not in place or were not updated accurately to reflect the new controls and management oversight needed related to the conversion to ARC for inventory and budgetary resources; and
- Inaccurate accounting information in the opening balances for budgetary accounts, manufacturing, as well as plant, property, and equipment.

The United States Mint implemented a corrective action plan in the third quarter of the fiscal year, and as of fiscal year-end all weakness were corrected. However, for a significant portion of the fiscal year, the Mint did not have adequately designed controls to prevent or detect a material misstatement in the financial statements.

Also during the United States Mint's physical inventory, we noted significant adjustments were made to the subsidiary ledger because physical counts did not agree with the subsidiary general ledger. Included in these adjustments, were metal by-products of the manufacturing process that were located in the facilities; however, they were not in the planned physical inventory counts nor accounted for on the subsidiary ledger. We noted these adjustments were made because the United States Mint was not utilizing the new financial system appropriately. Furthermore, a significant reclassification was necessary between work-in-process and raw material due to system conversion issues.

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. 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.
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.

Exhibit II

THE UNITED STATES MINT

Prior Year Reportable Conditions

September 30, 2007

Prior Year Condition	Prior Year Recommendation	Status as of September 30, 2007
Improvement is needed in Financial Accounting and Reporting		
Assignment of Personnel Resources	**Recommendation #1**: Evaluate the existing financial management organizational structure and make appropriate changes to ensure that the Office of Corporate Accounting is provided with sufficient staff resources with the requisite skills and abilities to maintain the Mint's accounting records and prepare timely financial reports.	**Closed**
Financial Management Oversight	**Recommendation #2**: Establish procedures for performing periodic reviews to assess the sufficiency of financial policies and procedures and consistencies between production facilities. **Recommendation #3**: Develop procedures for providing oversight and guidance to the Mint production facilities and all departments within the Mint that provide key financial information. **Recommendation #4**: Implement formal policies and procedures that require all accounting records to be signed-off by both the preparer and a management level reviewer.	**Closed**
Property Plant and Equipment Management	**Recommendation #5**: Implement adequate security and physical control procedures to ensure that all assets are adequately safeguarded and properly accounted for. **Recommendation #6**: Strengthen the policies and procedures over purchasing assets to ensure that all assets are recorded in the Asset Management Module of PeopleSoft timely, when received at the relevant locations. **Recommendation #7**: Implement policies and procedures requiring the program managers to communicate information regarding the status of the CIP projects to the Office of Corporate Accounting at or near each period end, and perform timely follow-up procedures to ensure that the Mint's financial statements reflect the most current project status. **Recommendation #8**: Establish an internal review process that requires a supervisor to systematically review the transactions recorded in the Asset Management module of PeopleSoft timely.	**Closed**
Budgetary Resources Accounting	**Recommendation #9**: Develop Mint-wide policies and procedures for management to perform adequate review of all obligations. The policies and procedures should provide for central management control and review, to ensure adequate support for recorded amounts exists and that sufficient consideration is given to the legitimacy of unliquidated	**Closed**

Exhibit II

THE UNITED STATES MINT

Prior Year Reportable Conditions

September 30, 2007

Prior Year Condition	**Prior Year Recommendation**	**Status as of September 30, 2007**
	obligation amounts. **Recommendation #10**: The Oracle general ledger system fully uses the United States Government Standard General Ledger and will support accounting for the budgetary effects of transactions to ensure compliance with FFMIA. **Recommendation #11**: The Oracle system records obligations as incurred and manages funds control at the transaction level.	

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

EXHIBIT III

December 4, 2007

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

Ladies and Gentlemen:

We have reviewed the fiscal year 2007 draft 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 adequately identified and have taken appropriate corrective action.

Sincerely,

Patricia M. Greiner

Patricia M. Greiner
Chief Financial Officer

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, 2007 and 2006, 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 4, 2007. As disclosed in Note 1 to the financial statements, the United States Mint changed its method of reporting the reconciliation of budgetary resources obligated to the net cost of operations in fiscal year 2007.

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 certain provisions referred to in 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.

Under OMB Bulletin No. 07-04 and FFMIA, we are required to report whether the United States Mint's financial management systems 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. To meet this requirement, we performed tests of compliance with FFMIA Section 803(a) requirements.

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 the three requirements discussed in the preceding paragraph.

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 4, 2007

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