



# Audit Report



OIG-14-015

Audit of the United States Mint's Fiscal Years 2013 and  
2012 Financial Statements

January 13, 2014

Office of  
Inspector General

Department of the Treasury

The Mint strives to ensure that their documents are accessible;  
to obtain a Section 508 compliant copy of the Mint's 2013 Annual Report,  
see the Mint's website:

<http://www.usmint.gov/>

Also see:

[Web Accessibility and Section 508 Compliance policy page](#)



DEPARTMENT OF THE TREASURY  
WASHINGTON, D.C. 20220

OFFICE OF  
INSPECTOR GENERAL

January 13, 2014

**MEMORANDUM FOR RICHARD A. PETERSON, DEPUTY DIRECTOR  
UNITED STATES MINT**

**FROM:** Michael Fitzgerald  
Director, Financial Audit

**SUBJECT:** Audit of the United States Mint's Fiscal Years 2013 and  
2012 Financial Statements

I am pleased to transmit the attached audited United States Mint (Mint) financial statements for fiscal years 2013 and 2012. Under a contract monitored by the Office of Inspector General, KPMG LLP (KPMG), an independent certified public accounting firm, performed an audit of the financial statements of the Mint as of September 30, 2013 and 2012 and for the years then ended. The contract required that the audit be performed in accordance with generally accepted government auditing standards and applicable provisions of Office of Management and Budget Bulletin No. 14-02, *Audit Requirements for Federal Financial Statements*.

The following reports, prepared by KPMG, are incorporated in the attachment:

- Independent Auditors' Report;
- Independent Auditors' Report on Internal Control Over Financial Reporting;  
and
- Independent Auditors' Report on Compliance and Other Matters.

In its audit, KPMG found:

- the financial statements were presented fairly, in all material respects, in accordance with U.S. generally accepted accounting principles;
- no matters involving internal control over financial reporting that are considered material weaknesses; and
- no instances of reportable noncompliance with laws and regulations tested.

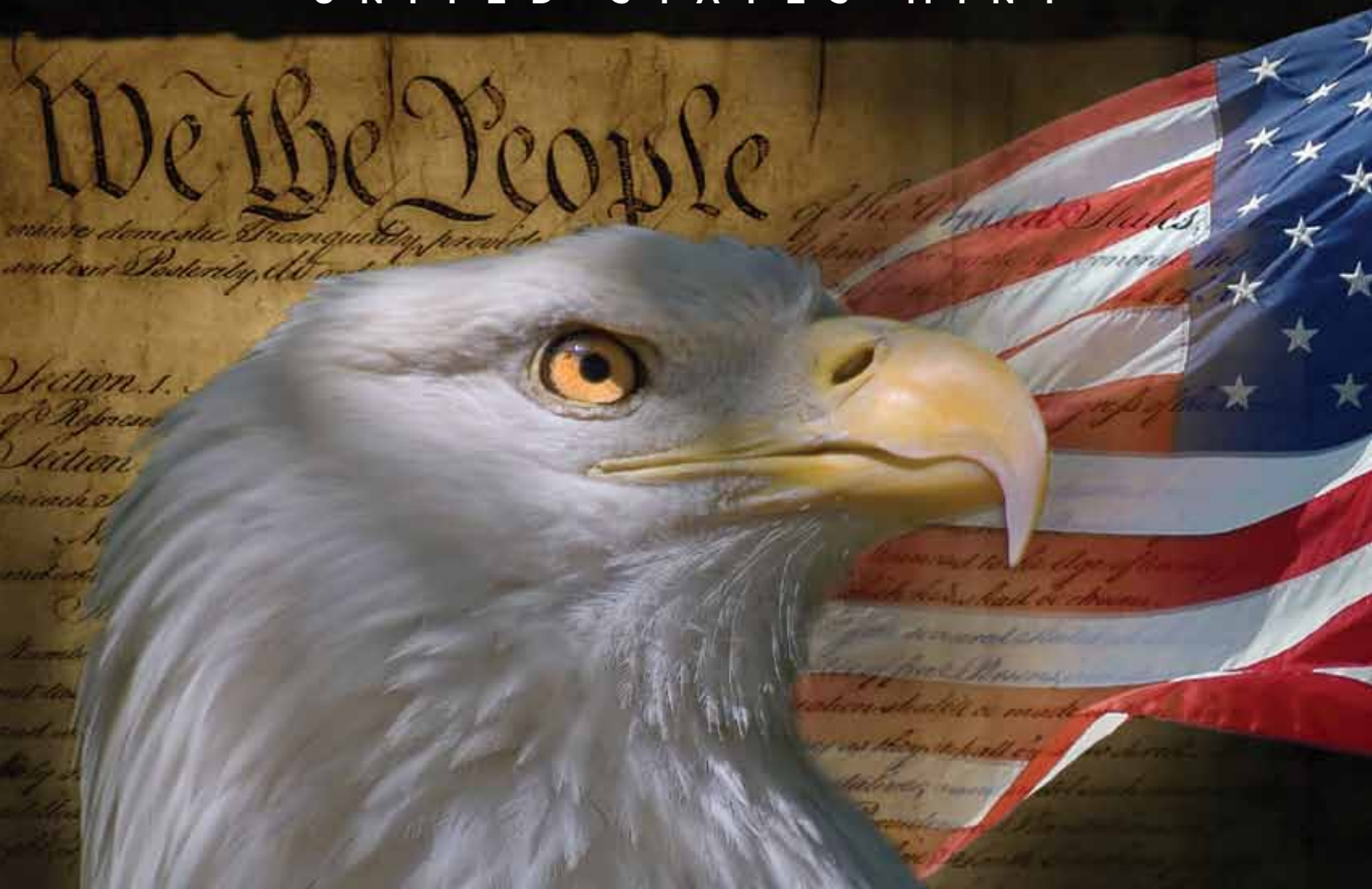
In connection with the contract, we reviewed KPMG's reports and related documentation and inquired of its representatives. Our review, as differentiated from an audit performed in accordance with generally accepted government auditing standards, was not intended to enable us to express, and we do not express, an opinion on the financial statements or conclusions about the effectiveness of internal control or compliance with laws and regulations.

KPMG is responsible for the attached auditors' reports dated January 8, 2014, and the conclusions expressed in the reports. However, our review disclosed no instances where KPMG did not comply, in all material respects, with generally accepted government auditing standards.

Should you have any questions, please contact me at (202) 927-5789, or a member of your staff may contact Shiela Michel, Manager, Financial Audit at (202) 927-5407.

Attachment

UNITED STATES MINT



2013 ANNUAL REPORT

## COVER ART: AMERICAN EAGLE BULLION COINS, CHOICE OF INVESTORS AROUND THE WORLD

To highlight an exceptional year in gold and silver bullion coin sales, American Eagle Bullion coins are featured on our 2013 Annual Report front cover: on the left, the obverse and reverse of the American Eagle Gold Bullion Coin and on the right the obverse and reverse of the American Eagle Silver Bullion Coin.

The United States Mint is the largest gold and silver bullion coin producer in the world. Global investment in American Eagle Gold Bullion Coin sales reached more than 1.2 million ounces in 2013.

The Liberty design that graces the American Eagle Gold Bullion Coin was created by Augustus Saint-Gaudens and first appeared on the United States' \$20, or double-eagle gold piece, in 1907. The American Eagle Silver Bullion Coins feature sculptor Adolph A. Weinman's magnificent Walking Liberty design, originally prepared and executed for the Nation's first circulating half-dollar coin in 1916.

## DEPUTY DIRECTOR'S LETTER

I am pleased to once again present the United States Mint's Annual Report. Fiscal Year (FY) 2013 was another excellent year for the United States Mint as the men and women at our six facilities continued to deliver truly outstanding results. I could not be more proud of this team's accomplishments.

We have chosen to highlight our precious metal bullion coin program in this report as we set a new record for bullion coin volume in FY 2013. Our American Eagle Gold and Silver Bullion Coins remain the coin of choice for investors around the world. We mint them at our West Point and San Francisco facilities. I hope you enjoy learning more about these beautiful and popular coins as you review our annual report.

The United States Mint, in accordance with federal law, has three product lines in two programs: a circulating coin program and a fiscally separate numismatic program that includes collectible coin and medal products and our precious metal bullion coins. Revenue and net income increased across all three product lines in FY 2013. Our results were outstanding in two of the three product lines — circulating coinage for commerce and investment-grade bullion coin programs. We drove solid performance in our numismatic and medal product segment with several well-received new products and improved customer service.

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### OUR AMERICAN EAGLE GOLD AND SILVER BULLION COINS REMAIN THE COIN OF CHOICE FOR INVESTORS AROUND THE WORLD.

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environmental footprint. Along the way, we respect and honor the values and traditions of one of the Nation's most treasured institutions — the United States Mint.

#### CIRCULATING COINS

Circulating coin shipments to the Federal Reserve Banks increased 17.6 percent in FY 2013 to 10.7 billion from 9.1 billion in the prior year. Our focus on manufacturing productivity and working capital turnover enabled the Mint to transfer \$350 million of seigniorage to the Treasury General Fund — our first such transfer in three years. Collectively, for the past six years, our seigniorage was dominated by the portion generated by the \$1 coin. There was no such \$1 coin seigniorage in FY 2013 as circulating \$1 coin production was suspended early in FY 2012. Improved demand for the quarter-dollar coin and the impressive cost-reduction efforts of our teams in Denver and Philadelphia led the way.



**Richard A. Peterson**  
United States Mint  
Deputy Director

Clearly, as the largest mint in the world, producing circulating coins is our bread and butter. Yet there is so much more that our team delivers every day in service to the American people. We are focused on further improving the productivity of our operations, developing new products while enhancing the customer experience, embracing new technologies, and minimizing our

## **BULLION**

The United States Mint is the world's largest producer of gold and silver bullion coins, and investors around the globe drove record unit sales in FY 2013. Gold ounce sales were up over 50 percent from the prior year to over 1.2 million ounces. Silver ounce sales were up over 30 percent from the prior year to nearly 45 million ounces. We are proud of our role as a bellwether in the global bullion coin market and are positioned for additional growth in 2014. We listened to our bullion coin customers and plan to resume sales of our one-ounce platinum bullion coin in 2014. Our record year in FY 2013 reflects a true cross-functional team effort that includes three of our facilities (West Point, San Francisco, and Philadelphia), our bullion coin sales team, our procurement team that sources the raw materials, our internal controls team, and our Mint Police officers. I cannot emphasize enough my appreciation for their excellent performance.

## **NUMISMATIC COINS AND MEDALS**

Our numismatic program had a good year in FY 2013 with sales of \$512 million, up 6 percent from last year. Net income of numismatic coins and medals was up 30 percent, further demonstrating our focus on cost reductions and productivity. Customers responded very well to our new product introductions in FY 2013, including our American Eagle West Point Two-Coin Silver Set and the American Buffalo One Ounce Gold Reverse Proof Coin celebrating the 100th anniversary of the iconic Buffalo Nickel design by James Earle Frasier. New products on tap for FY 2014 include our Theodore Roosevelt special set and some new offerings recognizing the 50th anniversary of the Kennedy half-dollar coin, in addition to the Civil Rights Act of 1964 and National Baseball Hall of Fame Commemorative Coin Programs.

## **CUSTOMER FOCUS**

With over \$300 million in numismatic internet sales annually, the United States Mint is one of the top 100 internet retailers by volume in the United States. But our back office web engine is antiquated and not scalable. We made good progress in 2013 to upgrade this system and we look forward to better serving our customers with a state-of-the-art online retailing platform to be launched in late 2014. Our team rededicated itself to customer care, and we drove solid improvements in customer satisfaction in FY 2013 with our favorability scores improving to 92.6 percent from 90.0 percent in the prior year, as measured by an independent third-party survey.

To reach new generations of customers and attract new collectors, we established a social media presence in 2009. Albeit from a small base, we are pleased with our FY 2013 social media growth with Facebook fans growing 34 percent and Twitter followers over 70 percent.

## **RESEARCH AND DEVELOPMENT**

Our research and development (R&D) is focused on lowering the cost to produce circulating coins. In FY 2013, we began a series of comprehensive technical tests to evaluate several alternative metallic compositions that showed promise during our earlier R&D efforts. Additionally, we continue to evaluate possible manufacturing process changes to further reduce our own manufacturing costs. Together, these efforts will be detailed in our next R&D report to Congress in 2014.

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**NET INCOME OF NUMISMATIC  
COINS AND MEDALS WAS UP  
30 PERCENT, FURTHER  
DEMONSTRATING OUR FOCUS  
ON COST REDUCTIONS  
AND PRODUCTIVITY.**

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## SUSTAINABILITY

At its core, the United States Mint is a manufacturing operation with over 1,700 employees and six different sites. We are conscious of our effect on the environment and work hard to incorporate best practices from around the world to reduce our environmental footprint and make our operations more sustainable. Since 2009, we have reduced net emissions by 33,363 metric tons of carbon dioxide equivalent (MT CO<sub>2</sub>e). This is equivalent to annual greenhouse gas emissions of 7,008 passenger vehicles, the CO<sub>2</sub> emissions from the annual energy use of 1,680 homes, or the carbon captured and stored by 27,570 acres of U.S. forests in one year. It should be noted that we have achieved these outstanding environmental results, all while doubling our production output.

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**WITH OVER \$300 MILLION  
IN NUMISMATIC INTERNET SALES  
ANNUALLY, THE UNITED STATES  
MINT IS ONE OF THE TOP  
100 INTERNET RETAILERS  
BY VOLUME IN THE UNITED STATES.**

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## INNOVATION AND TECHNOLOGY

The United States Mint's investment in technology over the last ten years paid off handsomely again in FY 2013. Consider the Code Talkers Recognition Congressional Medal program. At present, this single program requires 66 new medal designs and in 2013, we completed production of more than 50 of these designs — approximately the same number of designs that we produce in one year for all our other coin and medal programs combined. We simply could not have completed the design and engraving work needed for this important program with the vintage equipment that was still in use at the United States Mint just 10 years ago. The computer numerical control machines, laser frosting equipment, physical vapor deposition chambers, and clean rooms enable our decreasing employee base to deliver more coins and medals with lower costs.

Additionally, the laser frosting enhancements achieved in FY 2013 have created a new degree of artistic freedom for our artists and designers. Through a process developed in house, we can create different textures on different areas of the design to create a stunning visual effect. We incorporated this technique in two of our products this year: the American Eagle West Point Two-Coin Silver Set and the 5-Star Generals Commemorative Coin Program. This technique adds additional luster to these already beautiful coins.

## YOUR UNITED STATES MINT

This year marks my fifth year at the United States Mint and my third as its senior leader. Each and every day, I see the dedication and professionalism of 1,700 men and women as they mint and issue our coins on behalf of the American people. We had a great FY 2013 and are ready for the challenges and opportunities ahead. We offer public tours at our Denver and Philadelphia facilities, and I encourage you to visit them. We have a great website that highlights our history, which really is the history of our Nation. We have a broad array of numismatic products that appeal to the full spectrum of coin enthusiasts. We are an organization that is firing on all cylinders, and we hope you will visit us in person or online at [www.USMINT.gov](http://www.USMINT.gov).

Sincerely,



Richard A. Peterson, Deputy Director



*Front row, left to right:* Ellen McCullom, West Point Plant Manager; Daniel P. Shaver, Chief Counsel; Beverly Ortega Babers, Chief Administrative Officer; Annie Brown, Associate Director, Workforce Solutions; Tom Jurkowsky, Director Public Affairs; DeAnna Wynn, Acting Chief Information Officer. *Second row, left to right:* J. Marc Landry, Acting Associate Director, Sales and Marketing and Philadelphia Plant Manager; David Motl, Chief Financial Officer; Dennis O'Connor, Chief of Protection; Richard Peterson, Deputy Director; Eric Anderson, Executive Secretary; David Croft, Acting Associate Director, Manufacturing and Denver Plant Manager; Jon Cameron, Director, Office of Coin Studies. *Not pictured:* Larry Eckerman, San Francisco Plant Manager; B.B. Craig, Executive Lead, Long Range Planning; April Stafford, Manager, Stakeholder Relations; William Norton, Director, Legislative and Intergovernmental Affairs

## ORGANIZATIONAL PROFILE

**OUR MISSION:** Serve the American people by manufacturing and distributing circulating, precious metal and collectible coins, and national medals, and providing security over assets entrusted to us.

**OUR VISION:** Become the finest mint in the world, through excellence in our people, products, customer service, and workplace.

Established in 1792, the United States Mint (Mint) is the world's largest coin manufacturer. Since Fiscal Year (FY) 1996, the Mint has operated under the Public Enterprise Fund (PEF) (31 U.S.C. § 5136). The PEF enables the Mint to operate without an appropriation. We generate revenue through the sale of circulating coins to the Federal Reserve Banks (FRB), numismatic products to the public, and bullion coins to authorized purchasers. Revenue in excess of amounts required by the PEF is transferred to the United States Treasury General Fund.

The Mint operates six facilities and employs approximately 1,700 employees across the United States. Each facility performs unique functions critical to our overall operations. Manufacturing facilities in Philadelphia and Denver produce coins of all denominations for circulation. Both facilities also produce dies for striking coins. All sculpting and engraving of coin and medal designs is performed in Philadelphia. Production of numismatic products, including bullion coins, is primarily performed at facilities in San Francisco and West Point. All four production facilities produce commemorative coins as authorized by federal laws. The United States Bullion Depository at Fort Knox stores and safeguards United States gold bullion reserves. Administrative and oversight functions are performed at our Headquarters in Washington, D.C.

# TABLE OF CONTENTS

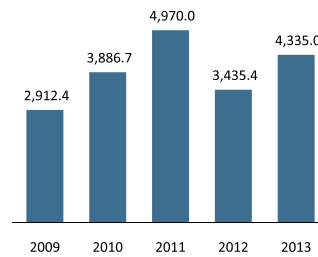
The United States Mint at a Glance	6
Management’s Discussion and Analysis	8
Analysis of Systems, Controls, and Legal Compliance	23
Limitations of the Financial Statements	24
Message from the Chief Financial Officer	25
Independent Auditors’ Report	27
Financial Statements	29
Notes to Financial Statements	33
Required Supplementary Information	49
Other Information	49
Independent Auditors’ Report on Internal Controls	50
Independent Auditors’ Report on Compliance and Other Matters	52
Appendix I: FY 2013 Coin and Medal Products	53

# THE UNITED STATES MINT AT A GLANCE

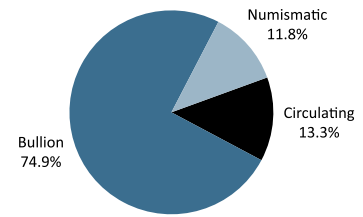
## UNITED STATES MINT

The men and women of the Mint manufacture and distribute circulating coins, precious metal and collectible coins, and national medals to meet the needs of the United States. Our vision is to become the finest mint in the world, through excellence in our people, products, customer service, and workplace.

Revenue (dollars in millions)



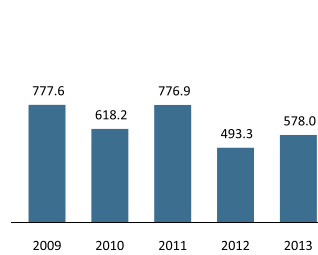
Revenue by Line of Business (percent of total)



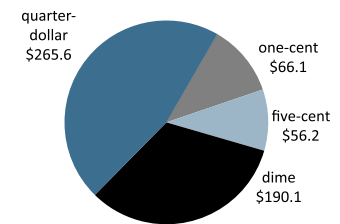
## CIRCULATING COINAGE

The Mint is the sole manufacturer of legal tender coinage for the United States. The Mint's highest priority is to efficiently and effectively mint and issue circulating coinage.

Revenue (dollars in millions)



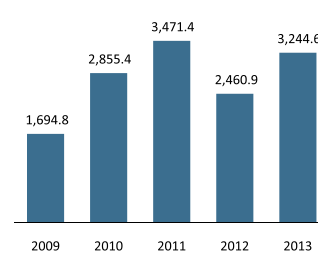
Revenue by Denomination (dollars in millions)



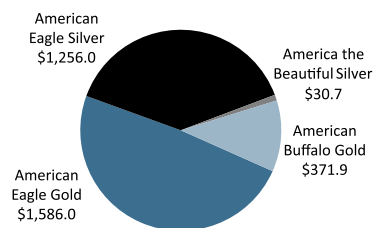
## BULLION COINS

The Mint is the world's largest producer of gold and silver bullion coins. The bullion coin product line provides consumers a simple and tangible means to acquire precious metal coins. Investors purchase bullion coins at a small mark up over spot prices for the intrinsic metal value and the United States Government's guarantee of each coin's metal weight, content, and purity.

Revenue (dollars in millions)



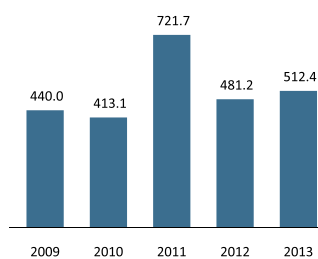
Revenue by Program (dollars in millions)



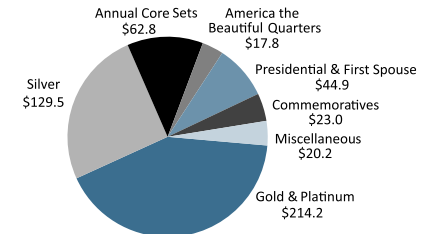
## NUMISMATIC PRODUCTS

The Mint prepares and distributes numismatic products for collectors and those who desire high-quality versions of circulating coinage. Most of our recurring products are required by federal statute. Others are required by individual public laws.

Revenue (dollars in millions)



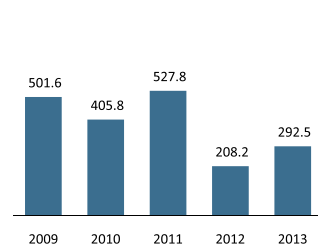
Revenue by Program (dollars in millions)



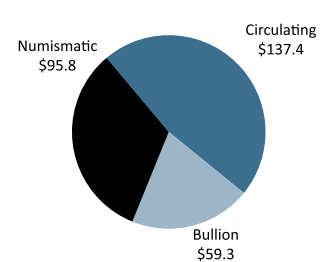
## SEIGNIORAGE AND NET INCOME

Seigniorage is the difference between the face value and cost of producing circulating coinage. The Mint transfers seigniorage to the Treasury General Fund to help reduce national debt. Net income from numismatic product lines can also fund federal programs.

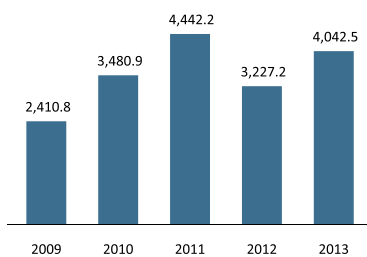
Seigniorage and Net Income (dollars in millions, before protection cost)



Seigniorage and Net Income by Line of Business (dollars in millions, before protection cost)



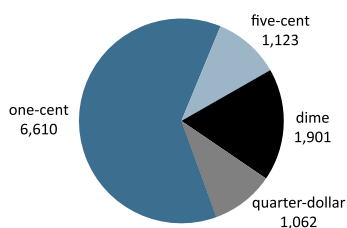
Gross Cost (dollars in millions)



**2013 PERFORMANCE**

Revenue and net income increased in FY 2013. Total revenue was \$4,335.0 million, increasing by 26.2 percent (\$899.6 million) from last year. Cost of goods sold (COGS) increased 26.6 percent to \$3,899.2 million mainly due to increased metal expenses to meet the volume growth in bullion coin sales. Selling, general, and administrative (SG&A) expenses declined 3.0 percent from last year, mainly due to continued ongoing cost reduction efforts. Total seigniorage and net income, before protection expenses, increased 40.5 percent to \$292.5 million compared to last year.

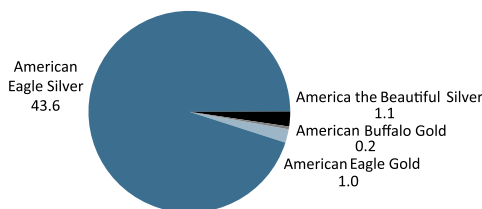
Shipments (millions of coins)



**CIRCULATING COINAGE**

Circulating coin shipments increased 17.8 percent to 10,696 million coins in FY 2013. Quarter-dollar coin shipments experienced the strongest annual percentage growth at 118.5 percent compared to last year. Circulating revenue increased 17.2 percent to \$578.0 million. Seigniorage increased 29.7 percent to \$137.4 million. Seigniorage per dollar issued increased to \$0.24 from \$0.21 last year.

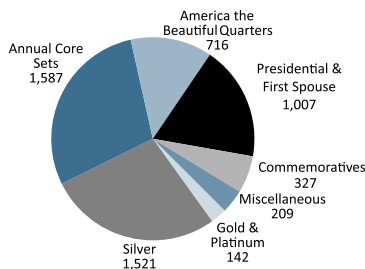
Sales (millions of ounces)



**BULLION COINS**

Demand for bullion coins grew in FY 2013 to an all-time high. The Mint sold 45.9 million ounces of gold and silver bullion coins, an increase of 11.1 million ounces from last year. Total bullion coin revenue increased 31.8 percent to nearly \$3.3 billion coins in FY 2013, as gold bullion coin revenue increased \$611.9 million and silver bullion coin revenue increased \$171.8 million compared to last year. Bullion coin net income increased 108.8 percent to \$59.3 million. Bullion coin net margin increased to 1.8 percent compared to 1.2 percent last year.

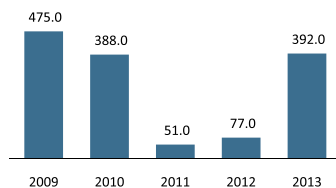
Sales (thousands of units sold)



**NUMISMATIC PRODUCTS**

Although numismatic units sold were slightly less (0.9 percent) than the prior year at 5.5 million in FY 2013, numismatic revenues increased 6.5 percent to \$512.4 million mainly because of an increase of \$52.7 million in gold and platinum product revenue. Numismatic net income increased 29.6 percent to \$95.8 million (before protection expenses). Numismatic net margin increased to 18.7 percent compared to 15.4 percent last year.

Transfer to the Treasury General Fund (dollars in millions)



**TRANSFER TO THE GENERAL FUND**

In FY 2013, the Mint transferred \$392 million to the Treasury General Fund. The Mint transferred \$350 million of seigniorage off-budget at the end of the fiscal year. In the first quarter, the Mint made an on-budget transfer of \$42 million to the Treasury General Fund, which represented numismatic program results for FY 2012.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## MEET THE NATION'S NEED FOR CIRCULATING COINS

As America's sole manufacturer of legal tender coinage, the efficient and effective production and distribution of coinage is the Mint's highest priority.

We mint and issue circulating coins to the Federal Reserve Banks (FRB) in quantities to support their service to commercial banks and other financial institutions. These financial institutions then meet the coinage needs of retailers and the public. The Mint recognizes revenue from the sale of circulating coins at face value when they are shipped to the FRB.

### CIRCULATING RESULTS

The total number of circulating coins shipped to the FRB increased 17.6 percent to 10.7 billion coins in FY 2013 from 9.1 billion coins in FY 2012. Quarter-dollar coin shipments experienced the greatest annual growth, increasing 118.5 percent from FY 2012. One-cent (penny) shipments were 61.8 percent of total shipments, down from 64.2 percent of total shipments in FY 2012.

The total dollar value of shipments increased 17.2 percent to \$578 million in FY 2013 from \$493.3 million in FY 2012. Seigniorage increased 29.7 percent to \$137.4 million mainly from increased quarter-dollar and dime shipments, along with a 7.6 percent reduction in SG&A expenses compared to last year.

Circulating COGS increased 17.8 percent to \$383.7 million from \$325.8 million in FY 2012, mainly due to the increased volumes. The Mint saved about \$1.9 million in FY 2013 compared to last year mainly because metal prices were lower. Even with the increase in circulating coinage shipments, the Mint was able to cut plant overhead costs by three percent at the Denver and Philadelphia Mints (excluding a one-time establishment of an allowance for supplies of \$6.7 million).

SG&A expenses decreased by 7.6 percent to \$56.9 million from \$61.6 million last year. This was primarily due to a 17 percent reduction in information technology expenses.

From FY 2009 to FY 2011, \$1 coins generated the most seigniorage annually. In FY 2012, only the James Garfield Presidential \$1 Coin was minted and issued to the FRB before circulating shipments of \$1 coins were suspended on December 13, 2011. Without \$1 coin shipments in FY 2013, the Mint expected seigniorage to be slightly lower than last year. However, because there was more demand for quarter-dollar coins than anticipated, FY 2013 total seigniorage actually exceeded last year's amount. Quarter-dollar coins were responsible for \$265.6 million in revenue and \$154.1 in seigniorage, and dimes contributed \$190.1 million in revenue and \$103.5 in seigniorage. As a result, despite the lack of \$1 coin contributions, total circulating seigniorage increased 29.7 percent to \$137.4 million from \$105.9 million last year. Seigniorage per dollar issued performance increased to \$0.24 in FY 2013 from \$0.21 in FY 2012.

Total Circulating Coin Production (coins in millions)

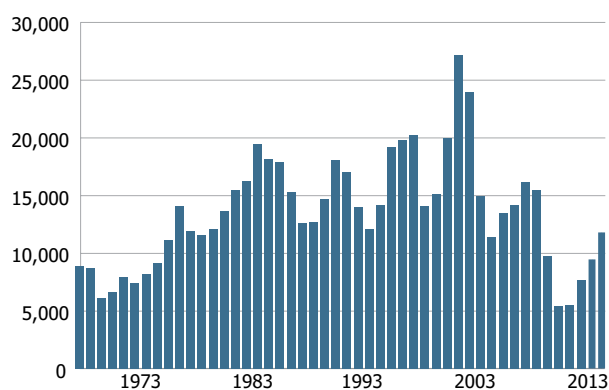




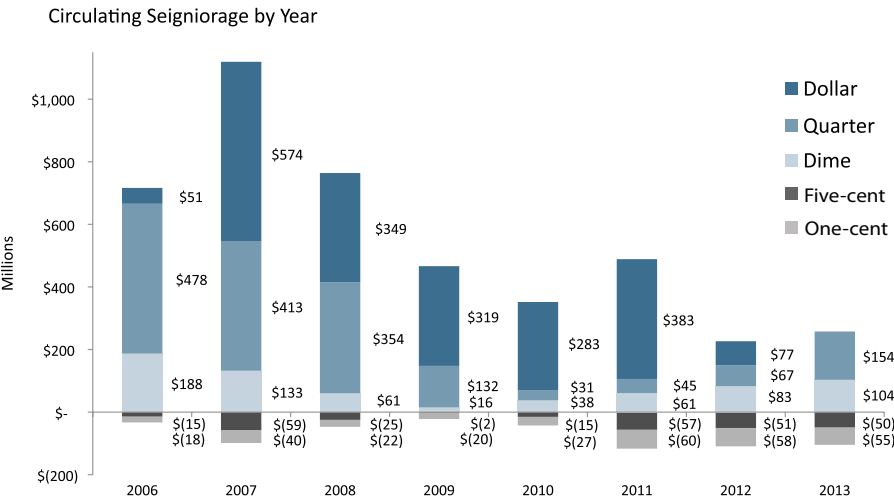
Photo by Mike Unser

**INNOVATIVE TECHNOLOGY**

(Left) Sculptor and engravers have the choice of making physical models (galvanos) of their coin designs, the traditional method, or to use sophisticated computer programs to make 3-D computer models, as Eric Custer demonstrates. Whether produced from scratch as a physical model or produced on the computer, the coin design ultimately ends up as a 3-D computer image.

(Center) William Tan operates the Press Die Vision System (PDVS), which is integrated with the coin press so that no striking can occur until the system inspects and approves the installed dies. This integration was created by a group in San Francisco. The system uses technology such as computer controlled servo motors, infrared lights, special mirrors, and a camera to inspect the installed dies in the press. If the dies are not an appropriate pair, striking is interlocked and prevents the striking of mule coins (obverses and reverses not meant to be together) for all denominations, increasing efficiency and lowering production costs.

(Right) Optical digital scanning equipment operated by Eric Custer in Philadelphia uses state-of-the-art blue light technology for unparalleled fidelity of detail and repeatability in legacy plasters, coins, dies, and bronze galvanos.



Shows seigniorage generated by denomination for the last eight years.

## CIRCULATING (coins and dollars in millions except seigniorage per \$1 issued)

	2013	2012	2011	2010	2009	% Change 2012 to 2013
Coin Shipments	10,696	9,082	7,396	5,399	5,207	17.8%
Value of Shipments	\$ 578.0	\$ 493.3	\$ 776.9	\$ 618.2	\$ 777.6	17.2%
Gross Cost	\$ 440.6	\$ 387.4	\$ 428.1	\$ 317.4	\$ 349.8	13.7%
Cost of Goods Sold	\$ 383.7	\$ 325.8	\$ 364.7	\$ 239.2	\$ 251.7	17.8%
Selling, General & Administrative	\$ 56.9	\$ 61.6	\$ 63.4	\$ 78.2	\$ 98.1	(7.6%)
Seigniorage	\$ 137.4	\$ 105.9	\$ 348.8	\$ 300.8	\$ 427.8	29.7%
Seigniorage per \$1 Issued	\$ 0.24	\$ 0.21	\$ 0.45	\$ 0.49	\$ 0.55	

## SHIPMENTS, COSTS, AND SEIGNIORAGE BY DENOMINATION

(coins and dollars in millions except seigniorage per \$1 issued)

2013	One-Cent	Five-Cent	Dime	Quarter-Dollar	Dollar	Mutilated & Other	Total
Coins Shipments	6,610	1,123	1,901	1,062	\$ –		10,696
Value of Shipments	\$ 66.1	\$ 56.2	\$ 190.1	\$ 265.6	\$ –	\$ –	\$ 578.0
Gross Cost	\$ 121.1	\$ 105.7	\$ 86.6	\$ 111.5	\$ –	\$ 15.7	\$ 440.6
Cost of Goods Sold	\$ 104.7	\$ 91.0	\$ 75.1	\$ 97.2	\$ –	\$ 15.7	\$ 383.7
Selling, General & Administrative	\$ 16.4	\$ 14.7	\$ 11.5	\$ 14.3	\$ –	\$ –	\$ 56.9
Seigniorage	\$ (55.0)	\$ (49.5)	\$ 103.5	\$ 154.1	\$ –	\$ (15.7)	\$ 137.4
Seigniorage per \$1 Issued	\$ (0.83)	\$ (0.88)	\$ 0.54	\$ 0.58	\$ –		\$ 0.24

2012	One-Cent	Five-Cent	Dime	Quarter-Dollar	Dollar	Mutilated & Other	Total
Coins Shipments	5,835	1,006	1,658	486	97	–	9,082
Value of Shipments	\$ 58.4	\$ 50.3	\$ 165.8	\$ 121.7	\$ 97.1	\$ –	\$ 493.3
Gross Cost	\$ 116.4	\$ 101.5	\$ 82.7	\$ 54.9	\$ 20.5	\$ 11.4	\$ 387.4
Cost of Goods Sold	\$ 96.5	\$ 84.1	\$ 69.5	\$ 46.6	\$ 17.7	\$ 11.4	\$ 325.8
Selling, General & Administrative	\$ 19.9	\$ 17.4	\$ 13.2	\$ 8.3	\$ 2.8	\$ –	\$ 61.6
Seigniorage	\$ (58.0)	\$ (51.2)	\$ 83.1	\$ 66.8	\$ 76.6	\$ (11.4)	\$ 105.9
Seigniorage per \$1 Issued	\$ (0.99)	\$ (1.02)	\$ 0.50	\$ 0.55	\$ 0.79	\$ –	\$ 0.21

2011	One-Cent	Five-Cent	Dime	Quarter-Dollar	Dollar	Mutilated & Other	Total
Coins Shipments	4,289	914	1,403	323	467	–	7,396
Value of Shipments	\$ 42.9	\$ 45.7	\$ 140.3	\$ 81.0	\$ 467.0	\$ –	\$ 776.9
Gross Cost	\$ 103.1	\$ 102.2	\$ 79.3	\$ 36.0	\$ 84.2	\$ 23.3	\$ 428.1
Cost of Goods Sold	\$ 85.4	\$ 86.1	\$ 67.1	\$ 30.3	\$ 72.5	\$ 23.3	\$ 364.7
Selling, General & Administrative	\$ 17.7	\$ 16.1	\$ 12.2	\$ 5.7	\$ 11.7	\$ –	\$ 63.4
Seigniorage	\$ (60.2)	\$ (56.5)	\$ 61.0	\$ 45.0	\$ 382.8	\$ (23.3)	\$ 348.8
Seigniorage per \$1 Issued	\$ (1.40)	\$ (1.24)	\$ 0.43	\$ 0.56	\$ 0.82	\$ –	\$ 0.45



Deputy Director Richard Peterson with Rhonda Sapp, President of the American Federation of Government Employees, Mint Council



UNIT COST OF PRODUCING AND DISTRIBUTING COINS BY DENOMINATION

2013	One-Cent	Five-Cent	Dime	Quarter-Dollar	\$1 Coin
Cost of Goods Sold	\$ 0.0156	\$ 0.0805	\$ 0.0391	\$ 0.0903	–
Selling, General & Administrative	\$ 0.0025	\$ 0.0131	\$ 0.0061	\$ 0.0135	–
Distribution to FRB	\$ 0.0002	\$ 0.0005	\$ 0.0004	\$ 0.0012	–
<b>Total Unit Cost</b>	<b>\$ 0.0183</b>	<b>\$ 0.0941</b>	<b>\$ 0.0456</b>	<b>\$ 0.1050</b>	<b>–</b>

2012	One-Cent	Five-Cent	Dime	Quarter-Dollar	\$1 Coin
Cost of Goods Sold	\$ 0.0163	\$ 0.0829	\$ 0.0415	\$ 0.0943	\$ 0.1802
Selling, General & Administrative	\$ 0.0034	\$ 0.0173	\$ 0.0080	\$ 0.0171	\$ 0.0288
Distribution to FRB	\$ 0.0003	\$ 0.0007	\$ 0.0004	\$ 0.0016	\$ 0.0021
<b>Total Unit Cost</b>	<b>\$ 0.0200</b>	<b>\$ 0.1009</b>	<b>\$ 0.0499</b>	<b>\$ 0.1130</b>	<b>\$ 0.2111</b>

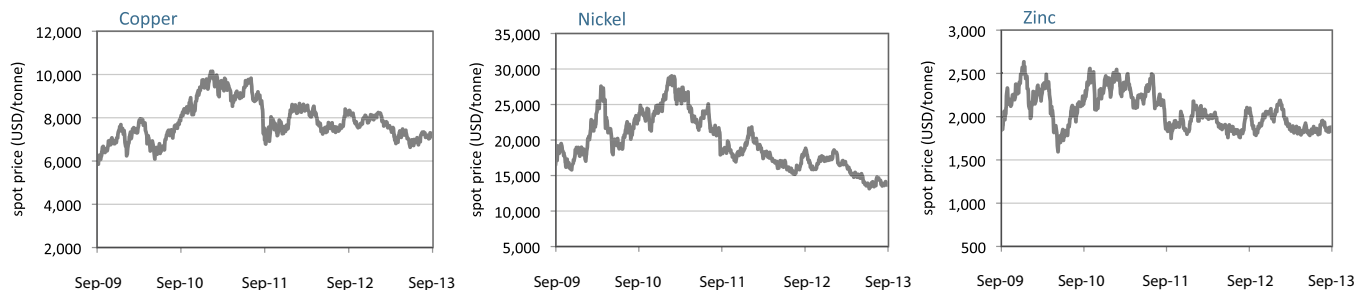
  

2011	One-Cent	Five-Cent	Dime	Quarter-Dollar	\$1 Coin
Cost of Goods Sold	\$ 0.0197	\$ 0.0938	\$ 0.0474	\$ 0.0923	\$ 0.1531
Selling, General & Administrative	\$ 0.0041	\$ 0.0176	\$ 0.0087	\$ 0.0176	\$ 0.0251
Distribution to FRB	\$ 0.0003	\$ 0.0004	\$ 0.0004	\$ 0.0015	\$ 0.0021
<b>Total Unit Cost</b>	<b>\$ 0.0241</b>	<b>\$ 0.1118</b>	<b>\$ 0.0565</b>	<b>\$ 0.1114</b>	<b>\$ 0.1803</b>

FY 2013 unit costs decreased for all denominations compared to last year. The unit cost for both penny and five-cent (nickel) denominations remained above face value for the eighth consecutive fiscal year. Although there was higher demand for pennies and nickels, lower unit costs generated a smaller FY 2013 loss (\$104.5 million) for these denominations compared to FY 2012 (\$109.2 million).

Average daily market prices for copper and nickel decreased 4.2 percent and 11.7 percent, respectively, from FY 2012 to FY 2013, while the average daily market price for zinc decreased slightly by 0.7 percent over the same time period.

Base Metal Daily Official Spot Price (prices per metric tonne in dollars)



## TECHNOLOGY THEN AND NOW

Introduced in 1907 and used throughout the 20th century, the Janvier Reduction Lathe (top) duplicated and reduced plasters created by the artists, generating master dies. Introduced in 2010, a CNC (computer numeric control) milling machine (bottom) takes digital information from the artist and automatically cuts hubs, dies, and templates. It takes 15 to 20 hours to cut a coinage hub and 25 to 30 hours to cut a three-inch die, about half the time it took with the Janvier Reduction Lathe, all while producing a higher quality product.



## SEQUESTRATION AND CIRCULATING OPERATIONS

The Mint's circulating coinage programs and operations were subject to the sequestration order issued March 1, 2013. As such, the Mint was required to reduce budgetary obligations for circulating operations by \$24 million between March and September. The Mint successfully met its sequestration target.

## ALTERNATIVE METAL RESEARCH AND DEVELOPMENT

In December 2012, the Mint submitted the 2012 Biennial Report to the Congress on the Current Status of Coin Production Costs and Analysis of Alternative Content to meet the requirements of the Coin Modernization, Oversight, and Continuity Act of 2010 (Public Law 111-302). The law provides the Secretary of the Treasury research and development (R&D) authority for alternative metallic materials for circulating coins and requires a report every two years.

The Mint continues to research, develop, and test potential alternative materials, specifically production-scale runs to validate supply chains, ease of manufacture, and costs of production. We will also analyze the estimated costs to stakeholders associated with potential alternative metals.

## CIRCULATING PRODUCTION

In anticipation of rising circulating demand in the third quarter, the Mint took advantage of lower demand during the first and second quarters of the fiscal year to increase circulating finished goods inventory. This level-loading of production was effective, as the third quarter demand was high, as expected. This strategy reduced the need for overtime at the facilities in Philadelphia and Denver, allowed for better equipment maintenance practices, and eased the strain on the supply chain from significant month-to-month variation in raw material requirements.

The Mint remains focused on reducing the costs of all our programs. As an example, in the past, the Mint would scrap unsold numismatic products, so unsold products struck in prior years are typically written down to record the expense of their production. In May 2013, the Mint converted about 6.4 million unsold circulating-quality quarter-dollars in bags and rolls for numismatic sales into 32 bulk bags that shipped to the FRB in July. By doing this, the Mint avoided about \$150,000 in costs to melt these coins and to manufacture an equal number of new circulating quarters to meet FRB demand.

## MEET THE PUBLIC'S DEMAND FOR U.S. BULLION COINS

Our bullion coin program provides the public a simple and tangible means to acquire precious metal coins at a slight premium to spot market metal prices. Investors purchase bullion coins not only for their intrinsic metal value, but also because the United States guarantees each coin's metal weight, content, and purity.

We mint and issue gold and silver bullion coins to authorized purchasers through the American Eagle, American Buffalo, and America the Beautiful Silver Bullion Coin™ Programs. The Mint sells the coins to the authorized purchasers at the same market price paid for the metal plus a premium to cover bullion program operating costs. Authorized purchasers agree to maintain an open, two-way market for these coins, assuring their liquidity. This allows the public to purchase and sell bullion coins at the prevailing market price, adjusting for any premium the authorized purchaser applies.

### BULLION COIN RESULTS

An increase in American Eagle Gold Bullion Coin demand boosted the Mint's bullion revenue and net income. Total bullion program revenue totaled \$3,244.6 million, up 31.8 percent from \$2,460.9 million last year. Bullion coin net income increased to \$59.3 million in FY 2013, up 108.8 percent from \$28.4 million in FY 2012. The bullion net margin increased to 1.8 percent from 1.2 percent as the increase in volume spread fixed costs over more units. Reflecting the metal market prices of coins sold, bullion coin COGS increased 31.2 percent to \$3,159 million in FY 2013 from \$2,407.6 million last year.

The Mint sold 51.9 percent more ounces of American Eagle Gold Bullion Coins in FY 2013, yielding increases of \$480.6 million in revenues and \$13.3 million in net income compared to last year. American Buffalo Gold Bullion Coin ounces sold increased 66.7 percent, increasing revenue by \$131.3 million and net income by \$3.7 million.

#### BULLION COINS (dollars in millions)

	2013	2012	2011	2010	2009	% Change 2012 to 2013
Gold oz. sold (thousands)	1,218	788	1,235	1,839	1,418	54.6%
Silver oz. sold (thousands)	44,644	34,152	44,048	33,983	26,148	30.7%
Platinum oz. sold (thousands)	—	—	—	—	25	—
Sales Revenue	\$ 3,244.6	\$ 2,460.9	\$ 3,471.4	\$ 2,855.4	\$ 1,694.8	31.8%
Gross Cost	\$ 3,185.3	\$ 2,432.5	\$ 3,405.6	\$ 2,800.2	\$ 1,662.1	30.9%
Cost of Goods Sold	\$ 3,159.0	\$ 2,407.6	\$ 3,378.8	\$ 2,778.4	\$ 1,650.0	31.2%
Selling, General & Administrative	\$ 26.3	\$ 24.9	\$ 26.8	\$ 21.8	\$ 12.1	5.6%
Net Income	\$ 59.3	\$ 28.4	\$ 65.8	\$ 55.2	\$ 32.7	108.8%
Bullion Net Margin	1.8%	1.2%	1.9%	1.9%	1.9%	

BULLION COINS REVENUE, COST, AND NET INCOME BY PROGRAM  
(dollars in millions)

2013	American Eagle Gold	American Buffalo Gold	Sub-Total Gold	American Eagle Silver	America the Beautiful Silver	Sub-Total Silver	Total
Ounces Sold (thousands)	983	235	1,218	43,559	1,085	44,644	45,862
Sales Revenue	\$ 1,586.0	\$ 371.9	\$ 1,957.9	\$ 1,256.0	\$ 30.7	\$ 1,286.7	\$ 3,244.6
Gross Cost	\$ 1,544.7	\$ 362.9	\$ 1,907.6	\$ 1,248.2	\$ 29.5	\$ 1,277.7	\$ 3,185.3
Cost of Goods Sold	\$ 1,541.6	\$ 362.4	\$ 1,904.0	\$ 1,225.8	\$ 29.2	\$ 1,255.0	\$ 3,159.0
Selling, General & Administrative	\$ 3.1	\$ 0.5	\$ 3.6	\$ 22.4	\$ 0.3	\$ 22.7	\$ 26.3
Net Income	\$ 41.3	\$ 9.0	\$ 50.3	\$ 7.8	\$ 1.2	\$ 9.0	\$ 59.3
Bullion Net Margin	2.6%	2.4%	2.6%	0.6%	3.9%	0.7%	1.8%

2012	American Eagle Gold	American Buffalo Gold	Sub-Total Gold	American Eagle Silver	America the Beautiful Silver	Sub-Total Silver	Total
Ounces Sold (thousands)	647	141	788	33,707	445	34,152	34,940
Sales Revenue	\$ 1,105.4	\$ 240.6	\$ 1,346.0	\$ 1,100.6	\$ 14.3	\$ 1,114.9	\$ 2,460.9
Gross Cost	\$ 1,077.4	\$ 235.3	\$ 1,312.7	\$ 1,105.0	\$ 14.8	\$ 1,119.8	\$ 2,432.5
Cost of Goods Sold	\$ 1,075.1	\$ 234.9	\$ 1,310.0	\$ 1,083.0	\$ 14.6	\$ 1,097.6	\$ 2,407.6
Selling, General & Administrative	\$ 2.3	\$ 0.4	\$ 2.7	\$ 22.0	\$ 0.2	\$ 22.2	\$ 24.9
Net Income	\$ 28.0	\$ 5.3	\$ 33.3	\$ (4.4)	\$ (0.5)	\$ (4.9)	\$ 28.4
Bullion Net Margin	2.5%	2.2%	2.5%	(0.4%)	3.5%	(0.4%)	1.2%

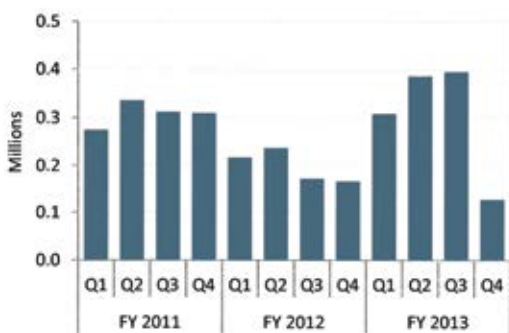
  

2011	American Eagle Gold	American Buffalo Gold	Sub-Total Gold	American Eagle Silver	America the Beautiful Silver	Sub-Total Silver	Total
Ounces Sold (thousands)	1,106	129	1,235	41,309	2,739	44,048	45,283
Sales Revenue	\$ 1,689.5	\$ 207.9	\$ 1,897.4	\$ 1,464.0	\$ 110.0	\$ 1,574.0	\$ 3,471.4
Gross Cost	\$ 1,645.3	\$ 202.9	\$ 1,848.2	\$ 1,450.4	\$ 107.0	\$ 1,557.4	\$ 3,405.6
Cost of Goods Sold	\$ 1,642.3	\$ 202.6	\$ 1,844.9	\$ 1,428.0	\$ 105.9	\$ 1,533.9	\$ 3,378.8
Selling, General & Administrative	\$ 3.0	\$ 0.3	\$ 3.3	\$ 22.4	\$ 1.1	\$ 23.5	\$ 26.8
Net Income	\$ 44.2	\$ 5.0	\$ 49.2	\$ 13.6	\$ 3.0	\$ 16.6	\$ 65.8
Bullion Net Margin	2.6%	2.4%	2.6%	0.9%	2.7%	1.1%	1.9%

**GOLD BULLION COIN RESULTS**

Total gold bullion coin ounces sold increased by 430 thousand ounces (54.6 percent) compared to FY 2012. The average daily spot price of gold during the year was \$1,521.61 per ounce, down 8.4 percent from \$1,660.49 per ounce last year. The gold spot price posted its biggest one-day percentage drop in 30 years on April 15, 2013 (falling 9.2 percent

**Total Gold Bullion Coin Sales (ounces sold in millions)**



**Precious Metal Daily Official Spot Price (prices per troy ounce in dollars)**



## RECORD-BREAKING YEAR FOR SILVER BULLION

Newly minted American Eagle Silver Bullion Coins (top) rest in a tray at the West Point facility. The Mint is the world's largest producer of bullion coins and the West Point facility manufactures the entire family of American Eagle proof and uncirculated coins in gold, silver, and platinum. In FY 2013, the Mint sold 44.7 million ounces of silver bullion, which broke the previous record set in FY 2011 for silver bullion coin ounces sold.

Ellen McCullom (bottom), Plant Manager of the West Point facility, holds a newly minted 2013-W \$50 Reverse Proof American Buffalo Gold Coin.

West Point began producing gold and silver bullion coins in 1986 and platinum bullion coins in 1997. The American Buffalo .9999 fine gold coins were added in 2006.



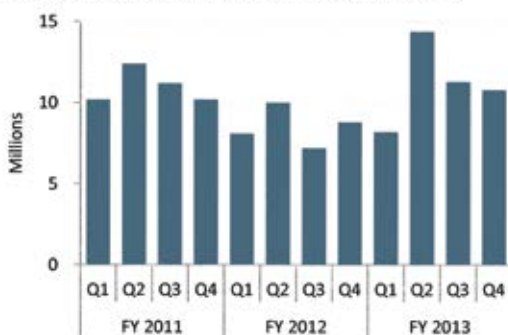
Photos by Mike Unser

from \$1,535.50 to \$1,395.00). This resulted in significant volume changes in gold bullion coin orders. In the three days following the historic price drop, bullion purchasers ordered 107,500 ounces of gold coins compared to 60,000 ounces in the two weeks preceding the price change. This unforeseen jump in demand was unprecedented and on April 22, the Mint sold out of American Eagle One-Tenth Ounce Gold Bullion Coins and did not resume sales of these coins until May 28. However, the Mint was able to fully meet the increased demand for all other gold bullion coin options. After performing strongly during the first three quarters of the Fiscal Year, gold bullion coin sales tapered off significantly in the fourth quarter.

## SILVER BULLION COIN RESULTS

The Mint sold 44.7 million ounces of silver bullion coins in FY 2013, passing the previous record of 44 million ounces sold in FY 2011. Sales of American Eagle Silver Bullion coin ounces increased by 29.2 percent, increasing revenue by \$155.4 million and net income by \$12.2 million compared to last year. America the Beautiful Five-Ounce Silver Bullion Coins generated increases of \$16.4 million in revenue and \$1.7 million in net income on 143.8 percent more ounces sold compared to last year.

Total Silver Bullion Coin Sales (ounces sold in millions)



Precious Metal Daily Official Spot Price (prices per troy ounce in dollars)





Traditional Process



Enhanced Process

## ENHANCED POLISHING AND LASER FROSTING

The Mint Research and Development team has pioneered unique proof polishing and laser frosting techniques for a dramatic enhancement of artistic quality in coin and medal design. The techniques allow sculptors and engravers exceptional freedom of expression. One of the best examples is the 2013 5-Star Generals Commemorative Silver Proof Coin (traditional process pictured on the left, enhanced process on the right). The process begins with selective horsehair and proof polishing to achieve varying degrees of reflectivity and brightness. Aspects of the artwork, text, and field are then selectively masked or left exposed to control levels of polish. Degrees of laser intensity are applied to accentuate specific parts of the design and then laser-generated textures are strategically applied for the final artistic touch.

Because of this ongoing high demand for silver bullion, the sales of American Eagle Silver Bullion Coins went under allocation on January 28 and remained on allocation through the end of the fiscal year. The average daily spot price of silver was \$26.79 per ounce, down 13.4 percent from \$30.94 last year. The silver market price dropped 14.1 percent on April 15, from \$27.40 to \$23.54. The strong demand for silver continued before and after the drop in silver price.

## RESPONSIBLY EXPAND THE NUMISMATIC PROGRAM

The Mint’s numismatic program provides high-quality versions of circulating coinage, precious metal coins, commemorative coins, and medals for sale to the public. Most of our recurring products—such as United States Mint Uncirculated Coin Sets®, United States Mint Proof Sets®, and United States Mint Silver Proof Sets®—are required by federal statute. Others, such as commemorative coins and Congressional Gold Medals, are required by individual public laws. A main objective of the numismatic program is to increase our customer base and foster sales while controlling costs and keeping prices as low as practicable.

### NUMISMATIC RESULTS

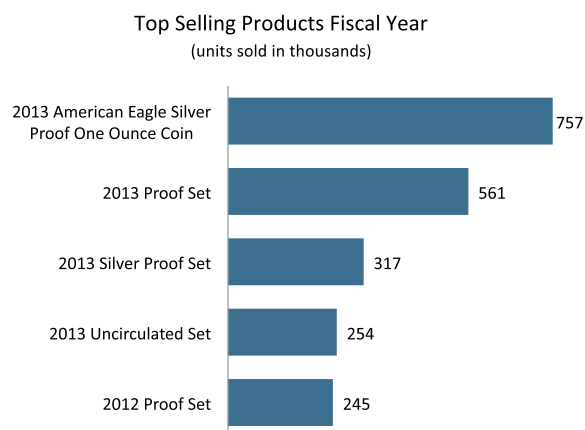
Numismatic product sales were relatively stable at 5.5 million units in FY 2013 compared to 5.6 million units in FY 2012 (a slight decrease of 0.9 percent). Numismatic revenue increased 6.5 percent to \$512.4 million in FY 2013 from \$481.2 million last year, mainly driven by a \$52.7 million (32.6 percent) increase in Gold and Platinum Coin products revenue.

The 2013 American Buffalo Gold One Ounce Reverse Proof, 2013 American Eagle Silver One Ounce Proof Coin, and the 2013 American Eagle Silver Two-Coin West Point Set generated the most numismatic revenue in FY 2013.

The 2013 American Eagle Silver One Ounce Proof Coin and 2013 United States Mint Proof Set were the most popular sellers (in terms of units) this year.

Numismatic program net income and seigniorage increased 29.6 percent to \$95.8 million in FY 2013 from \$73.9 million in FY 2012. Numismatic COGS increased 3.0 percent to \$356.5 million from \$346.1 million primarily from the increased volume of gold and platinum product sales. SG&A expenses decreased 1.8 percent compared to last year, because of a 23.5 percent decrease in selling expenses. Numismatic net margin increased to 18.7 percent in FY 2013 from 15.4 percent in FY 2012 as revenue from higher-margin gold and silver coin product sales comprised a greater share of the total numismatic revenue.

Gold and platinum unit sales increased by 35.2 percent over last year, driven by the introduction of the new American Buffalo Reverse Proof gold coin. The Presidential \$1 Coin and First Spouse Medal unit sales increased by 13 percent over last year, primarily from the introduction of new \$1 coin numismatic products offered following the



NUMISMATIC (dollars in millions)

	2013	2012	2011	2010	2009	% Change 2012 to 2013
Units Sold (Thousands)	5,509	5,559	7,311	6,466	7,642	(0.9%)
Sales Revenue	\$ 512.4	\$ 481.2	\$ 721.7	\$ 413.1	\$ 440.0	6.5%
Gross Cost	\$ 416.6	\$ 407.3	\$ 608.5	\$ 363.3	\$ 398.9	2.3%
Cost of Goods Sold	\$ 356.5	\$ 346.1	\$ 543.8	\$ 298.6	\$ 329.7	3.0%
Selling, General & Administrative	\$ 60.1	\$ 61.2	\$ 64.7	\$ 64.7	\$ 69.2	(1.8%)
Net Income & Seigniorage	\$ 95.8	\$ 73.9	\$ 113.2	\$ 49.8	\$ 41.1	29.6%
Numismatic Net Margin	18.7%	15.4%	15.7%	12.1%	9.3%	
Seigniorage Portion	\$ 29.3	\$ 22.9	\$ 9.8	\$ 12.0	\$ 19.3	27.9%

*Net Income & Seigniorage figures are before protection costs. Seigniorage portion results from the sale of circulating coins (boxes, bags and rolls) directly to the public through the numismatic channels.*



## 2013 CODE TALKERS CONGRESSIONAL GOLD MEDAL PROGRAM

The Mint is proud to have played a significant role in honoring the Native American Code Talkers this year. An intense three-year outreach effort to American Indian tribes — identified by the Department of Defense as Code Talkers in World War I or World War II — culminated in a Code Talker Congressional Gold Medal Ceremony honoring 25 tribes with gold medals. Eight or more tribes will receive gold medals at a later date. The 25 medals required 50 unique designs and six months of design and production at Philadelphia. Mint Sculptor-Engraver Michael Gaudio (left) is pictured working on the obverse of the Oglala Sioux Tribe of South Dakota's medal (center). All 25 medals (right) are displayed for viewing by employees at the United States Mint headquarters in Washington, D.C.

suspension of \$1 coin shipments for circulation. The unit sales for the remaining product categories either stayed level or continued to decrease.

The two precious metal numismatic product categories (gold and platinum, and silver) generated the vast majority of revenue (67.1 percent), compared to the other numismatic product categories. Similarly, these categories generated \$70.9 million of the numismatic net income compared to \$24.9 million net income generated by the other categories.

The annual recurring sets product category generated a loss of \$3.4 million in FY 2013. This loss is mainly attributed to reduced margins, as the price of silver proof sets was lowered in July in response to lower silver content value in the set from significant decreases in silver commodity spot prices.

### NEW PRODUCT HIGHLIGHTS

This year, the 2013 United States Mint Congratulations Set and the 2013 United States Mint Happy Birthday Set joined the United States Mint Birth Set, to commemorate important life events. The United States Mint Congratulations Set contained one of the bureau's most popular coins, a 2013 American Eagle One Ounce Silver Proof Coin. The United States Mint Happy Birthday Set contained five 2013 proof quality coins. The packaging for both of these products included a space for a personal message. Revenue from the United States Mint Congratulations Set was almost \$275,000 and revenue from the United States Mint Happy Birthday Set was nearly \$155,000.

The 2013 American Buffalo One Ounce Gold Reverse Proof Coin went on sale in August and generated \$49.9 million in sales. The American Buffalo design was first featured on a nickel in 1913, then again in 2006 on the first 24-karat gold proof coin ever struck by the Mint. The 2013 version, celebrating 100 years, reverses the mirror-like background finish of the traditional proof coin and applies it to the design elements of coin.

Several limited-edition products were offered this year. The Mint sold a 2013 American Eagle West Point Two-Coin Silver Set, which contributed \$32 million in revenue to commemorate the 75th anniversary of the building that houses the United States Mint at West Point. The 2013 American Eagle West Point Two-Coin Silver Set contained one American Eagle Silver Proof Coin with a reverse proof finish and one American Eagle Silver Uncirculated Coin with



an enhanced finish. The surface combined an uncirculated finish with a frosted finish, adding sharp definition to the designs. The Mint developed an enhanced finish, using a combination of laser technology and polishing techniques to accentuate specific parts of the design. The resulting surface finish highlights the intricate design of the coin, which was well received by both collectors and industry professionals.

NUMISMATIC REVENUE, COST, AND NET INCOME OR SEIGNIORAGE BY PROGRAM  
(dollars in millions)

2013	Gold and Platinum Coin Products	Silver Coin Products	Annual Sets*	Quarter Products	Presidential and First Spouse Medals	Commemorative	Miscellaneous	Total
Units Sold (Thousands)	142	1,521	1,587	716	1,007	327	209	5,509
Sales Revenue	\$ 214.2	\$ 129.5	\$ 62.8	\$ 17.8	\$ 44.9	\$ 23.0	\$ 20.2	\$ 512.4
Gross Cost	\$ 184.6	\$ 88.2	\$ 66.2	\$ 15.1	\$ 22.3	\$ 22.3	\$ 17.9	\$ 416.6
Cost of Goods Sold	\$ 181.9	\$ 75.6	\$ 47.6	\$ 10.2	\$ 15.1	\$ 19.2	\$ 6.9	\$ 356.5
Selling, General & Administrative	\$ 2.7	\$ 12.6	\$ 18.6	\$ 4.9	\$ 7.2	\$ 3.1	\$ 11.0	\$ 60.1
Net Income & Seigniorage	\$ 29.6	\$ 41.3	\$ (3.4)	\$ 2.7	\$ 22.6	\$ 0.7	\$ 2.3	\$ 95.8
Numismatic Net Margin	13.8%	31.9%	(5.4%)	15.2%	50.3%	3.0%	11.4%	18.7%
Seigniorage Portion	\$ -	\$ -	\$ -	\$ 2.7	\$ 22.8	\$ -	\$ 3.8	\$ 29.3

2012	Gold and Platinum Coin Products	Silver Coin Products	Annual Sets*	Quarter Products	Presidential and First Spouse Medals	Commemorative	Miscellaneous	Total
Units Sold (Thousands)	105	1,568	1,627	737	891	437	194	5,559
Sales Revenue	\$ 161.5	\$ 150.5	\$ 65.7	\$ 18.9	\$ 35.4	\$ 29.0	\$ 20.2	\$ 481.2
Gross Cost	\$ 142.1	\$ 101.3	\$ 68.4	\$ 19.0	\$ 17.8	\$ 28.8	\$ 29.9	\$ 407.3
Cost of Goods Sold	\$ 140.2	\$ 83.9	\$ 49.6	\$ 13.6	\$ 10.7	\$ 23.7	\$ 24.4	\$ 346.1
Selling, General & Administrative	\$ 1.9	\$ 17.4	\$ 18.8	\$ 5.4	\$ 7.1	\$ 5.1	\$ 5.5	\$ 61.2
Net Income & Seigniorage	\$ 19.4	\$ 49.2	\$ (2.7)	\$ (0.1)	\$ 17.6	\$ 0.2	\$ (9.7)	\$ 73.9
Numismatic Net Margin	12.0%	32.7%	(4.1%)	(0.5%)	49.7%	0.7%	(48.0%)	15.4%
Seigniorage Portion	\$ -	\$ -	\$ -	\$ 2.2	\$ 17.6	\$ -	\$ 3.1	\$ 22.9

2011	Gold and Platinum Coin Products	Silver Coin Products	Annual Sets*	Quarter Products	Presidential and First Spouse Medals	Commemorative	Miscellaneous	Total
Units Sold (Thousands)	247	1,889	2,657	814	871	645	188	7,311
Sales Revenue	\$ 369.9	\$ 129.2	\$ 107.4	\$ 22.3	\$ 21.0	\$ 43.2	\$ 28.7	\$ 721.7
Gross Cost	\$ 315.8	\$ 76.0	\$ 96.8	\$ 21.9	\$ 12.8	\$ 35.5	\$ 49.7	\$ 608.5
Cost of Goods Sold	\$ 312.6	\$ 63.6	\$ 72.9	\$ 17.6	\$ 8.2	\$ 30.5	\$ 38.4	\$ 543.8
Selling, General & Administrative	\$ 3.2	\$ 12.4	\$ 23.9	\$ 4.3	\$ 4.6	\$ 5.0	\$ 11.3	\$ 64.7
Net Income & Seigniorage	\$ 54.1	\$ 53.2	\$ 10.6	\$ 0.4	\$ 8.2	\$ 7.7	\$ (21.0)	\$ 113.2
Numismatic Net Margin	14.6%	41.2%	9.9%	1.8%	39.0%	17.8%	(73.2%)	15.7%
Seigniorage Portion	\$ -	\$ -	\$ -	\$ 2.3	\$ 5.8	\$ -	\$ 1.7	\$ 9.8

\*Annual Sets are the United States Mint Silver Proof Set, United States Mint Proof Set, and United States Mint Uncirculated Coin Set.

## COMMEMORATIVE COINS

Commemorative coin programs are created by acts of Congress to honor a person, place, organization, or event. The price of each coin or medal ordinarily includes a surcharge authorized to be paid to a designated recipient organization. By September 30, the 2013 5-Star Generals Commemorative Coin Program had revenue of \$15.4 million with surcharges of \$1.9 million collected for its recipient organization, the United States Army Command and General Staff College Foundation. The 2013 Girl Scouts USA Centennial Commemorative Coin Program had \$6.3 million in revenue and \$1.2 in surcharges collected. These programs run through December 31, 2013.

Three commemorative programs finished in FY 2013. The 2012 National Infantry Museum and Soldier Center Commemorative Coin Program had revenue of \$10.3 million, with \$2.1 million paid in surcharges to its recipient organization, the National Infantry Foundation. The National September 11 Memorial & Museum Commemorative Medal Program generated \$10.5 million in revenue, with \$1.8 million paid in surcharges to its recipient organization, the National September 11 Memorial & Museum at the World Trade Center. The 2012 Star-Spangled Banner Commemorative Coin Program had revenue of \$23.6 million, with \$3 million to be paid in surcharges to its recipient organization, the Maryland War of 1812 Bicentennial Commission.

In FY 2013, we also launched a public design competition for the obverse of the National Baseball Hall of Fame Commemorative Coins, which will be issued in 2014. The design competition was held by the Mint from April 11 through May 11. Members of the National Baseball Hall of Fame participated as judges, and the winner was announced on September 9. In addition to this competition, we invited children 13 and under to create a coin design.

## CONGRESSIONAL MEDALS

In April, we prepared and struck a Congressional Gold Medal honoring Professor Muhammad Yunus, in recognition of his contributions to the fight against global poverty. Among his many accomplishments and contributions, Professor Yunus established a bank in Bangladesh in 1983 to provide loans to the poor on reasonable terms to help them start their own businesses.

In September, we prepared and struck a Congressional Gold Medal honoring Addie Mae Collins, Denise McNair, Carole Robertson, and Cynthia Wesley. These young women were killed when a bomb exploded at the Sixteenth Street Baptist Church in Birmingham, Alabama, on September 15, 1963.

We produced and sold bronze duplicates of both of these medals.

## CUSTOMER SERVICE

The performance of our numismatic program depends heavily on whether we effectively meet our customers' expectations, so the Mint conducts satisfaction surveys each quarter. Customers evaluate the quality of the Mint's service and products. Customers rated the Mint favorably at 92.6 percent in FY 2013, up from 90 percent in FY 2012.

Throughout 2013, the Mint researched the effectiveness of our communication with customers. As a part of this effort, focus groups in Boston, Cleveland, San Francisco, Charlotte, Philadelphia, Phoenix, Detroit, and Austin discussed product notification e-mails and the Coins Online newsletter, as well as the Mint's product portfolio and its appeal to existing and new customers. In addition, we studied customer service in the call center and developed improvements to help customers and customer service representatives communicate effectively and efficiently.

In February 2013, the Annual Government Customer Satisfaction Forum recognized the Mint for its achievements in providing the best possible customer service in 2012. Based on customer feedback surveys, the Mint received a customer satisfaction score of 95 – the highest call center score ever achieved in government using American Customer Satisfaction Index (ACSI) methodology. The benchmark for the federal government under ACSI was 68.4, and for non-government it was 75.9.

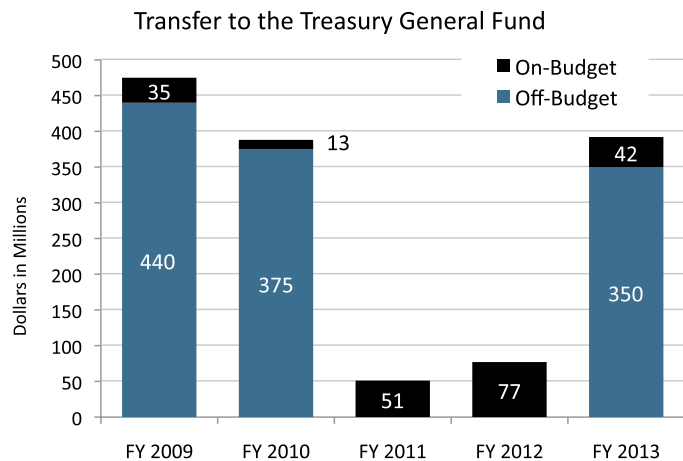
## TRANSFER TO GENERAL FUND

As required by 31 U.S.C. § 5136, the Mint deposits all receipts from operations and programs into the United States Mint Public Enterprise Fund. Periodically, the Mint transfers amounts in the PEF determined to be in excess of amount required to support ongoing operations and programs.

In FY 2013, the Mint transferred a total of \$392 million to the Treasury General Fund.

The off-budget transfer comprises seigniorage, which is not treated as a budgetary receipt to the government but as a means of financing. In FY 2013, the Mint returned \$350 million, the first off-budget transfer in three years.

The on-budget transfer usually comprises numismatic net income and is typically performed in the first quarter each fiscal year. The Mint made an on-budget transfer of \$42 million to the General Fund, compared to \$77 million transferred last year. The on-budget transfer this year included the previous year's numismatic net income of \$37 million and \$5 million from surcharges collected but not able to be disbursed for a prior year commemorative coin program.



## FOSTER A SAFE, ENGAGED, AND INNOVATIVE WORKFORCE

It is our goal to have a safe, engaged, and innovative workforce, making the Mint the employer of choice for current and future employees. Embracing innovative practices by engaging modern technologies and becoming more environmentally sustainable not only benefits our employees, but also benefits the American public.

### SAFETY FIRST

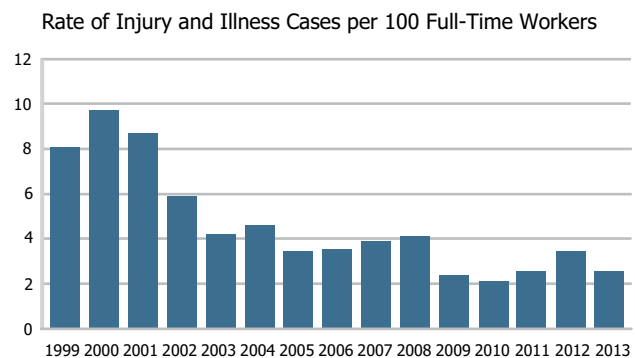
Total recordable injury and illness case rates fell from 3.5 in FY 2012 to 2.90 in FY 2013. This performance exceeded our target of 3.14. We were below the average rate of 7.8 for forging and stamping manufacturers, according to the Occupational Safety and Health Administration.

All of our sites have active safety programs that focus on all aspects of employee safety, especially material handling and ergonomic risks.

### SUSTAINABILITY EFFORTS

The Mint has concentrated on making substantial changes to our buildings and production operations to lessen our carbon footprint, and our sustainability projects have begun to show positive results.

- We conducted water conservation audits at all manufacturing locations and implemented water conservation measures. As a result, over the past five years, we have an annual savings of 38 million gallons of potable water, a 64 percent change from our baseline.





## LEADING THE WAY ON GREENHOUSE GAS REDUCTIONS

(Left) A green roof graces the Mint in San Francisco. (Center) Wind turbines supply 100 percent of the energy needs of the Mint at Denver. (Right) Pictured are regular users of vanpools in San Francisco. These and many other sustainability innovations have resulted in dramatic reductions of greenhouse gas emissions. We have already far surpassed goals set by the Department of the Treasury for the Mint to meet by the year 2020—a 33 percent reduction in direct emissions and an 11 percent reduction in indirect emissions. We have already reduced direct emissions by 47 percent and indirect emissions by 32 percent, all while increasing production in all three business lines.

- The Treasury Department established goals for the Mint to reduce its direct greenhouse gas emissions by 33 percent and indirect greenhouse gas emissions by 11 percent between 2008 and 2020. The Mint has surpassed these goals and has reduced its direct greenhouse gas emissions by 47 percent and its indirect greenhouse gas emissions by 32 percent.
- For the past several years, we have been retro-commissioning the plants in Philadelphia and Denver to improve the way our equipment and systems function. Our eventual goal for FY 2015 is a 25 percent reduction in energy use (based on a FY 2003 baseline). Between FY 2003 and FY 2012, we reduced energy intensity by 10.2 percent. Denver purchases all electricity from renewable resources, which has reduced greenhouse gases attributable to the facility by the CO<sub>2</sub> equivalent of 25.8 million pounds annually.
- The San Francisco plant now recycles 100 percent of its waste, which means 133,251 pounds of trash was recycled, rather than being sent to a landfill.
- The Mint installed a modern, high efficiency boiler at the U.S. Bullion Depository at Fort Knox in 2008 and updated its heating, ventilation, and air conditioning system. Full implementation of the new boiler along with reduced natural gas prices has generated savings averaging \$35,000 a year for the past four years. The new boiler has reduced natural gas use and greenhouse gas emissions by roughly 50 percent.
- This year, we eliminated the use of hexavalent chrome, a known human carcinogen, and lead, a toxic waste by-product, by switching to physical vapor deposition (PVD) for the steel dies used to strike proof coins. In addition, we demolished and decontaminated the plating operations in San Francisco and Philadelphia, and installed the new PVD equipment in San Francisco, Philadelphia, and West Point.

We are committed to improving the sustainability of our operations—not only to save energy and costs, but also to be better stewards of the assets and facilities we use to perform the Mint’s mission.

## ANALYSIS OF SYSTEMS, CONTROLS, AND LEGAL COMPLIANCE

The Mint is responsible for establishing and maintaining effective internal controls over financial reporting and has made a conscious effort to meet the internal controls 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 Reports Consolidation Act of 2000. The organization under my purview is operating in accordance with the procedures and standards prescribed by the Comptroller General and OMB guidelines.

The systems of management control for the Mint organization under my purview are designed to ensure that:

- programs achieve their intended results;
- resources are used consistent with overall mission;
- programs and resources are free from waste, fraud, and mismanagement;
- laws and regulations are followed;
- controls are sufficient to minimize any improper or erroneous payments;
- performance information is reliable;
- system security is in substantial compliance with all relevant requirements;
- continuity of operations planning in critical areas is sufficient to reduce risk to reasonable levels; and
- financial management systems are in compliance with federal financial systems standards, (i.e., FMFIA Section 4 and FFMIA).

For all Mint responsibilities, we provide herein unqualified assurance that the above listed management control objectives, taken as a whole, were achieved by our organization during FY 2013. Specifically, this assurance is provided in accordance with Sections 2 and 4 of the FMFIA. We further assure that our financial management systems are in substantial compliance with the requirements imposed by the FFMIA.

The Mint management is responsible for establishing and maintaining adequate internal control over financial reporting, which includes safeguarding of assets and compliance with laws and regulations. We conducted the required Treasury evaluation of the effectiveness of the United States Mint internal controls over financial reporting in accordance with OMB Circular A-123, Management's Responsibility for Internal Control. Based on the results of this evaluation, we can provide unmodified assurance that internal controls over financial reporting as of June 30, 2013, are operating effectively and no material weaknesses were found in the design or operation of the internal controls over financial reporting.

In addition, the Mint is committed to maintaining effective internal control, as demonstrated by the following actions:

- Annual audits of the Mint's financial statements pursuant to the Chief Financial Officers' Act, as amended, including a) information revealed in preparing the financial statements, b) auditor's reports on the financial statements, and c) internal controls and compliance with laws and regulations and other materials related to preparing financial statements.
- Annual performance plans, reviews, and reports pursuant to the Government Performance Results Act, which include analysis and evaluation of performance measures.
- The development, tracking, and closure of corrective actions identified in the Financial Statement Audit and OMB Circular A-123 Assessment.
- Internal management and program reviews conducted for the purpose of assessing management controls.

## WEST POINT CELEBRATES 75 YEARS OF OPERATION

To celebrate its 75th anniversary, the Mint at West Point, ordinarily closed to the media, invited press inside the plant for a behind-the-scenes look at our operations. Seen here, the West Point gold working-stock storage holds 4,300 gold bars valued at more than \$2.3 billion.



- Reviews of financial systems for requirements compliance in conjunction with OMB Circular A-123 and FFMIA.
- Reviews of systems, applications, and contingency plans conducted pursuant to the Computer Security Act of 1987 (40 U.S.C. 759 note) and OMB Circular A-130, Management of Federal Information Resources.
- Annual assessments, reviews, and reporting performed in compliance with the Improper Payments Elimination and Recovery Act of 2010 (IPERA).
- Reviews and reporting in compliance with the Federal Information Security Management Act (FISMA).

The Mint continues to make improvement in maintaining effective internal control over financial reporting and is committed to monitoring and improving its internal controls throughout the entire organization.

## LIMITATIONS OF THE FINANCIAL STATEMENTS

The principal financial statements have been prepared to report the financial position and results of operations of the Mint, pursuant to the requirements of 31 U.S.C. § 3515(b). The statements have been prepared from the books and records of the Mint in accordance with generally accepted accounting principles for federal entities and the formats prescribed by the Office of Management and Budget. 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.

## MESSAGE FROM THE CHIEF FINANCIAL OFFICER:

I am privileged to present the Mint’s financial statements as part of the FY 2013 Annual Report and the independent auditor’s unmodified or “clean” audit opinion on these financial statements.

For those who follow the finances of the Mint, you will recall the past few years have been a bit of a roller coaster ride.

In FY 2009, the Mint saw demand for our circulating coins drop dramatically to levels not seen since 1963, the last time demand was less than 4 billion coins. The decline in coinage for commerce coincided with the recent recession. Over the past few years, however, the demand for circulating coins has slowly increased to levels similar to those just prior to the recession.

While demand for circulating and bullion coins is strong, the Mint’s collectible numismatic products have been on a slow decline that seems to have bottomed out in FY 2012. While the sales of recurring numismatic products, such as United States Mint Proof Sets, United States Mint Uncirculated Coin Sets, and United States Mint Silver Proof Sets, have continued to decline, other new products (see page 18) have closed the gap. I reflect on these past few years, as each trend presents its own fiscal challenges and risks.

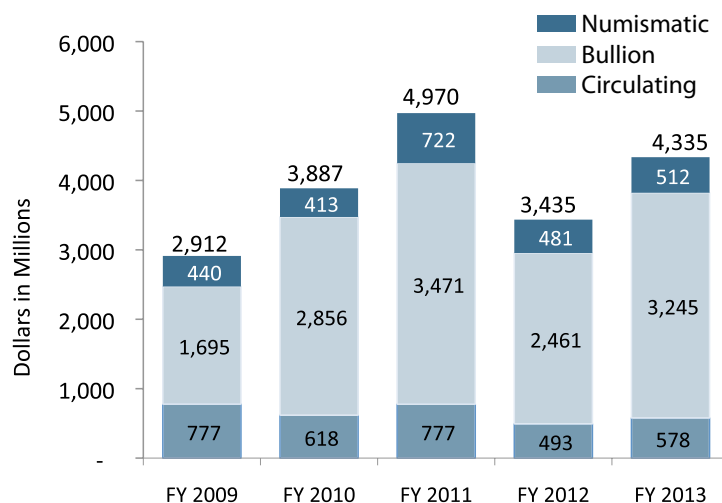
For the past five years, the Mint has implemented strategies to be more efficient and to reduce our cost of operations as a way to mitigate these risks. For example, between FY 2009 and FY 2012 our plants’ overhead cost decreased by \$6.6 million. This trend reversed in FY 2013 due to high demand but is still reflective of the savings achieved in the prior years. Between 2009 and 2013, the Mint’s SG&A was reduced by \$36.1 million. How did we achieve this? It was accomplished through exceptional teamwork, solid internal controls, and data-driven decisions. Here are a few examples:

- We rearranged work schedules at the Denver and Philadelphia plants from three-shift operations to two-shift operations and leveled the circulating coinage production throughout the year.
- We instituted position management controls to give a more central and strategic perspective on our human resource needs and use.
- We enhanced our review into discretionary spending and put controls in place to ensure maximum value from the dollars we spend.
- We used tools like Lean or Six Sigma concepts to make our processes more efficient and effective.



**David Motl**  
United States Mint  
Chief Financial Officer

### Consolidated Revenue



FY 2013 financial results are reflective of these strategic, long-term cost reductions, as well as the increased production volumes for circulating and bullion coins and stabilized volumes for numismatic products. I am pleased to report that the Mint Public Enterprise Fund is getting stronger and, for the first time in three years, had an off-budget transfer and an on-budget transfer to the Treasury General Fund (see page 21).

I would be remiss if I did not recognize one other significant achievement in the fiscal arena. The Department of the Treasury awarded the Mint “Bureau of the Year” because we spent 85 percent of available contracting dollars on small, minority, or woman-owned businesses.

The statements presented here are 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 establishment of the United States Generally Accepted Accounting Principles. In addition, the Mint conducted a comprehensive assessment of the effectiveness of internal controls over financial reporting. Based upon the results of this review, we can provide unmodified assurance that internal controls over financial reporting are operating effectively in accordance with Office of Management and Budget Circular A-123.

We will continue to provide sound fiscal guidance and direction for the Mint.

A handwritten signature in black ink, appearing to read 'DMotl', is positioned above the name of the Chief Financial Officer.

David Motl, Chief Financial Officer





KPMG LLP  
Suite 12000  
1801 K Street, NW  
Washington, DC 20006

## Independent Auditors' Report

Inspector General  
United States Department of the Treasury

Deputy Director  
United States Mint:

### Report on the Financial Statements

We have audited the accompanying financial statements of the United States Mint, which comprise the balance sheets as of September 30, 2013 and 2012, and the related statements of net cost, changes in net position, and budgetary resources for the years then ended, and the related notes to the financial statements.

#### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditors' Responsibility*

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. 14-02, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 14-02 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



### ***Opinion on the Financial Statements***

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, 2013 and 2012, and its net costs, changes in net position, and budgetary resources for the years then ended in accordance with U.S. generally accepted accounting principles.

### ***Other Matters***

#### ***Required Supplementary Information***

U.S. generally accepted accounting principles require that the information in the Management's Discussion and Analysis, and Required Supplementary Information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Federal Accounting Standards Advisory Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

Our audits were conducted for the purpose of forming an opinion on the basic financial statements as a whole. The *Deputy Director's Letter, Organizational Profile, Message from the Chief Financial Officer, Required Supplementary Information, and Other Information and Appendix 1: FY 2013 Coin and Medal Products* is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 8, 2014 on our consideration of the United States Mint's internal control over financial reporting and our report dated January 8, 2014 on 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* in considering United States Mint's internal control over financial reporting and compliance.

**KPMG LLP**

January 8, 2014

**DEPARTMENT OF THE TREASURY UNITED STATES MINT  
BALANCE SHEETS**

As of September 30, 2013 and 2012

	2013	2012
(dollars in thousands)		
<b>Assets</b>		
Intragovernmental:		
Fund Balance with Treasury (Note 3)	\$ 713,156	\$ 964,517
Advances and Prepayments (Note 5)	2,271	3,232
Total Intragovernmental Assets	715,427	967,749
Custodial Gold and Silver Reserves (Note 6)	10,493,740	10,493,740
Accounts Receivable, Net (Note 4)	20,437	12,093
Inventory (Notes 7 and 20)	472,017	361,612
Supplies	14,214	17,678
Property, Plant and Equipment, Net (Note 8)	183,309	182,527
Advances and Prepayments (Note 5)	1	1
Total Non-Intragovernmental Assets	\$ 11,183,718	\$ 11,067,651
Total Assets (Notes 2 and 14)	\$ 11,899,145	\$ 12,035,400
Heritage Assets (Note 9)		
<b>Liabilities</b>		
Intragovernmental:		
Accounts Payable	\$ 5,536	\$ 5,641
Accrued Workers' Compensation and Benefits	7,919	9,110
Total Intragovernmental Liabilities	13,455	14,751
Custodial Liability to Treasury (Note 6)	10,493,740	10,493,740
Accounts Payable	21,169	21,543
Surcharges Payable (Note 3)	6,128	11,179
Accrued Payroll and Benefits	13,155	18,374
Other Actuarial Liabilities	31,543	28,525
Unearned Revenue	2,756	1,541
Deposit Fund Liability (Notes 10 and 12)	94	94
Total Non-Intragovernmental Liabilities	\$ 10,568,585	\$ 10,574,996
Total Liabilities (Notes 10 and 14)	\$ 10,582,040	\$ 10,589,747
Commitments and Contingencies (Notes 12 and 13)		
<b>Net Position</b>		
Cumulative Results of Operations - Funds from		
Dedicated Collections (Note 14)	1,317,105	1,445,653
Total Liabilities and Net Position	\$ 11,899,145	\$ 12,035,400

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

**DEPARTMENT OF THE TREASURY UNITED STATES MINT**  
**STATEMENTS OF NET COST**

For the years ended September 30, 2013 and 2012

	2013	2012
	(dollars in thousands)	
<b>Numismatic Production and Sales</b>		
Gross Cost	\$ 3,591,557	\$ 2,832,988
Less Earned Revenue	(3,717,423)	(2,912,432)
Net Program Cost (Revenue)	(125,866)	(79,444)
<b>Numismatic Production and Sales of Circulating Coins</b>		
Gross Cost	10,347	6,765
Less Earned Revenue (Note 16)	(10,347)	(6,765)
Net Program Cost (Revenue)	-	-
<b>Circulating Production and Sales</b>		
Gross Cost	440,608	387,434
Less Earned Revenue (Note 16)	(440,608)	(387,434)
Net Program Cost (Revenue)	-	-
Net Cost (Revenue) Before Protection of Assets	(125,866)	(79,444)
<b>Protection of Assets</b>		
Protection Costs	43,163	42,195
Less Earned Revenue	(27)	-
Net Cost of Protection of Assets	43,136	42,195
Net Cost (Revenue) from Operations (Notes 14 and 15)	\$ (82,730)	\$ (37,249)

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

**DEPARTMENT OF THE TREASURY UNITED STATES MINT**  
**STATEMENTS OF CHANGES IN NET POSITION**

For the years ended September 30, 2013 and 2012

	2013	2012
	(dollars in thousands)	
<b>Cumulative Results of Operations</b>		
<b>Net Position, Beginning of Year - Funds from Dedicated Collections</b>	\$ 1,445,653	\$ 1,343,652
Financing Sources:		
Transfers to the Treasury General Fund On-Budget (Note 19)	(41,999)	(77,000)
Transfers to the Treasury General Fund Off-Budget (Note 19)	(350,000)	-
Other Financing Sources (Seigniorage) (Note 16)	166,691	128,709
Imputed Financing Sources (Note 11)	13,757	13,043
Transfer in Without Reimbursement	273	-
Total Financing Sources	(211,278)	64,752
Net Revenue from Operations	82,730	37,249
Net Position, End of Year - Funds from		
Dedicated Collections (Note 14)	\$ 1,317,105	\$ 1,445,653

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

**DEPARTMENT OF THE TREASURY UNITED STATES MINT  
STATEMENTS OF BUDGETARY RESOURCES**

For the years ended September 30, 2013 and 2012

	2013	2012
	(dollars in thousands)	
<b>Budgetary Resources:</b>		
Unobligated balance, brought forward, October 1	\$ 693,852	\$ 413,094
Recoveries of prior-year unpaid obligations	41,809	51,025
Other changes in unobligated balance	(41,999)	(77,000)
Unobligated balance from prior year budget authority, net	693,662	387,119
Spending Authority from Offsetting Collections	3,961,232	3,413,037
<b>Total Budgetary Resources</b>	<b>\$ 4,654,894</b>	<b>\$ 3,800,156</b>
 <b>Status of Budgetary Resources:</b>		
Obligations Incurred (Note 17)	\$ 4,158,603	\$ 3,106,304
Unobligated balance, end of year		
Apportioned	496,291	669,760
Unapportioned	-	24,092
Total unobligated balance, end of year	496,291	693,852
<b>Total Budgetary Resources</b>	<b>\$ 4,654,894</b>	<b>\$ 3,800,156</b>
 <b>Change in Obligated Balances:</b>		
Unpaid obligations:		
Unpaid obligations, brought forward, October 1	\$ 276,501	\$ 346,248
Obligations Incurred (Note 17)	4,158,603	3,106,304
Gross Outlays	(4,194,857)	(3,125,026)
Recoveries of Prior Year Unpaid Obligations	(41,809)	(51,025)
<b>Unpaid obligations, end of year</b>	<b>\$ 198,438</b>	<b>\$ 276,501</b>
 Uncollected Payments:		
Uncollected customer payments from Federal Sources, Brought Forward, October 1	\$ (5,930)	\$ (6,694)
Change in uncollected customer payments from Federal sources	(34)	764
<b>Uncollected payments, Federal sources, end of year</b>	<b>\$ (5,964)</b>	<b>\$ (5,930)</b>
 Memorandum (non-add) entries:		
Obligated balance, start of year	\$ 270,571	\$ 339,554
<b>Obligated Balance, end of year</b>	<b>\$ 192,474</b>	<b>\$ 270,571</b>
 <b>Budget Authority and Outlays, Net:</b>		
Budget Authority, gross	\$ 3,961,232	\$ 3,413,037
Actual offsetting collections	(3,985,495)	(3,413,801)
Change in uncollected customer payments from Federal Sources	(34)	764
<b>Budget Authority, net</b>	<b>\$ (24,297)</b>	<b>\$ -</b>
 Outlays, gross	 \$ 4,194,857	 \$ 3,125,026
Actual offsetting collections	(3,985,495)	(3,413,801)
<b>Outlays, Net</b>	<b>\$ 209,362</b>	<b>\$ (288,775)</b>

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

# NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended September 30, 2013 and 2012

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**REPORTING ENTITY** Established in 1792, the United States Mint (Mint) is a bureau of the Department of the Treasury (Treasury). The mission of the Mint is to serve the American people by manufacturing and distributing circulating, precious metal and collectible coins, and national medals, and providing security over assets entrusted to us. Numismatic products include medals; proof coins; uncirculated coins; platinum, gold, and silver bullion coins; commemorative coins; and related products or accessories. Custodial assets consist of the United States gold and silver reserves. These custodial assets are often referred to as “deep storage” and “working stock,” and are reported on the Balance Sheet.

The production of numismatic products is financed through sales to the public. The production of circulating coinage is financed through sales of coins at face value to the Federal Reserve Banks (FRBs). Additionally, the Mint sells certain circulating products directly to the public as numismatic items. Activities related to protection of United States gold and silver reserves are funded by the Mint Public Enterprise Fund (PEF). Pursuant to Public Law 104-52, *Treasury, Postal Service, and General Government Appropriation Act for FY 1996*, as codified at 31 U.S.C. § 5136, the PEF was established to account for all receipts and expenses related to production and sale of numismatic items and circulating coinage, as well as protection activities. Expenses accounted for in the PEF include the entire cost of operating the bureau. Any amount in the PEF that is determined to be in excess of the amount required by the PEF is transferred to the Treasury General Fund.

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

**BASIS OF ACCOUNTING AND PRESENTATION** The accompanying financial statements were prepared based on the reporting format promulgated by 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 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 31 U.S.C. § 5134.

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, but are not limited to, depreciation, imputed costs, payroll and benefits, accrued worker’s compensation, allowance for uncollectible accounts receivable, and unemployment benefits.

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

## **EARNED REVENUES AND OTHER FINANCING SOURCES (SEIGNIORAGE)**

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

**Numismatic Sales of Circulating Coins:** Specially packaged products containing circulating coins sold directly to the public rather than to the FRB. These products are treated as a circulating and numismatic hybrid product. Revenue is recognized when products are shipped to customers.

**Circulating Sales:** The PEF provides for the sale of circulating coinage at face value to the FRBs. Revenue from the sale of circulating coins is recognized when the product is shipped to the FRBs. Revenue from the sale of circulating coins to the FRBs and numismatic sales of circulating coins to the public is limited to the recovery of the cost of manufacturing and distributing those coins. Seigniorage is a financing source and not considered as revenue.

**Other Financing Source (Seigniorage):** Seigniorage equals the face value of newly minted coins, less the cost of production (which includes the cost of metal, manufacturing, and transportation). 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.

**Rental Revenue:** The Mint sublets office space at cost to other federal entities in a leased building in Washington, D.C. A commercial vendor subleases a portion of the first floor space of the same building.

**FUND BALANCE WITH TREASURY** All cash is maintained at the Treasury. Fund Balance with Treasury is the aggregate amount of the Mint's cash accounts with the United States Government's central accounts and from which the bureau is authorized to make expenditures. It is an asset because it represents the Mint's claim to United States Government resources.

**ACCOUNTS RECEIVABLE** Accounts receivable are amounts owed to the Mint from the public and other federal entities. An allowance for uncollectible accounts receivable is established for all accounts that are more than 180 days past due. However, the bureau 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** Inventories of circulating and numismatic coinage are valued at the lower of either 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. The Mint uses three classifications for inventory: raw material (raw metal, unprocessed coil, or blanks), work-in-process (WIP – material being transformed to finished coins), and finished goods (coins that are packaged or bagged and ready for sale or shipment to the public or the FRB).



**UNITED STATES CUSTODIAL GOLD AND SILVER RESERVES** United States gold and silver reserves consist of both “deep storage” and “working stock” gold and silver.

*Deep Storage* is defined as that portion of the United States gold and silver reserves which the 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 United States gold and silver bullion reserves which the Mint can use as the raw material for minting coins. Working stock gold comprises only about one percent of the gold bullion reserve and consists of bars, blanks, unsold coins, and condemned coins. Similarly, working stock silver consists of bars, blanks, unsold coins, and condemned coins.

Treasury allows the Mint to use some of its gold as working stock in the production of gold coins. This allows the bureau to avoid the market risk associated with buying gold far in advance of the sales date of the gold coins. The Mint replenishes the Treasury gold working stock at or just prior to the time the coins are sold. Generally, the bureau does not deplete the working stock used in production. Instead, the Mint will purchase a like amount of gold on the open market to replace the working stock used.

Treasury also allows the Mint to use silver as working stock. However, Treasury does not have enough silver to fulfill all bureau manufacturing needs. Accordingly, for the purpose of avoiding market risk associated with owning silver, the Mint has entered into a silver hedging arrangement (see Note 20).

**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, as well as die steel and coin dies. 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 an asset at the time of prepayment, and are expensed when related goods and services are received or used.

**PROPERTY, PLANT, AND EQUIPMENT** Property, plant, and equipment are valued at cost, less accumulated depreciation. The 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
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 a 20-year period, or the remaining useful life of the asset (whichever is shorter) 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 by the PEF.

**SURCHARGES** Public laws authorizing commemorative coin and medal programs often require that the sales price of each coin include an amount, called a surcharge, which is authorized to provide funds to a qualifying organization or group of organizations for the purposes specified. A surcharges payable account is established for surcharges collected, but not yet paid, to designated recipient organizations.

Recipient organizations cannot receive surcharge payments unless all of the Mint's operating costs for the coin program are fully recovered. The bureau may make interim surcharge payments during a commemorative program if the recipient organization meets the eligibility criteria in the authorizing public law, if the recovery of all costs of the program is determinable, and if the bureau is assured it is not at risk of a loss. Additionally, recipient organizations must demonstrate that they have raised from private sources an amount equal to or greater than the surcharges collected based on sales. Recipient organizations must also prove compliance with Title VI of the Civil Rights Act of 1964 and other applicable civil rights laws. A recipient organization has two years from the end of the program to meet the matching funds requirement.

**FUNDS FROM DEDICATED COLLECTIONS** Pursuant to 31 U.S.C. § 5136, the PEF was established as the sole funding source for Mint activities. The PEF meets the requirements of a fund from dedicated collections as defined in *Statement of Federal Financial Accounting Standard (SFFAS) 27, Identifying and Reporting Earmarked Funds, as amended by SFFAS 43: Funds from Dedicated Collections: Amending SFFAS 27, Identifying and Reporting Earmarked Funds*. As non-entity and non-PEF assets, the United States gold and silver bullion reserves are not considered to be funds from dedicated collections.

**UNEARNED REVENUES** These are amounts received for numismatic orders which have not yet been shipped to the customer.

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

**SHIPPING AND HANDLING** The Mint reports shipping and handling costs of circulating coins and numismatic products as a cost of goods sold. General postage costs for handling administrative mailings are reported as part of the bureau'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 or who have developed a work-related 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 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 bureau. There is generally a two- to three-year time period between payment by DOL and DOL's request for reimbursement from the 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 costs for approved compensation cases.

**PROTECTION COSTS** United States gold and silver reserves are in the custody of the Mint, which is responsible for safeguarding the reserves. These costs are borne by the bureau, but are not directly related to the circulating or numismatic coining operations of the Mint. The Protection Department is a separate function from coining operations and is responsible for safeguarding the reserves, as well as bureau employees and facilities.

**OTHER COST AND EXPENSES (MUTILATED AND UNCURRENT)** Other costs and expenses consist primarily of returns of mutilated or uncurrent coins to the Mint. Coins that are chipped, fused, and/or not machine-countable are considered mutilated. The bureau reimburses the entity that sent in the mutilated coins using weight formulas that estimate the face value of these coins. Uncurrent coins are worn, but machine-countable, and their genuineness and denominations are still recognizable. Uncurrent coins are replaced with new coins of the same denomination by the FRBs. The FRBs then seek replacement coins from the Mint. All mutilated or uncurrent coins received by the bureau are defaced and subsequently sold to its fabrication contractors to be processed into coils or blanks to be used in future coin production.

**TAX EXEMPT STATUS** As a bureau of the Federal Government, the Mint is exempt from all taxes imposed by any governing body, whether it is a federal, state, commonwealth, local, or foreign government.

**CONCENTRATIONS** The Mint purchases the coil and blanks used in the production of circulating coins from three vendors at competitive market prices. The bureau also purchases precious metal blanks from four different suppliers.

**CONTINGENT LIABILITIES** Certain conditions may exist as of the date of the financial statements that may result in a loss to the government, but which will be resolved only when one or more future events occur or fail to occur. The Mint recognizes a loss contingency when the future outflow or other sacrifice of resources is probable and reasonably estimable. Loss contingencies that are determined by management to have a reasonably possible chance of occurring or that cannot be estimated are included as a footnote to the financial statements. Contingent liabilities considered remote are generally not disclosed unless they involve guarantees, in which case the nature of the guarantee is disclosed.

**TRANSFERS TO THE TREASURY GENERAL FUND** The Mint may transfer amounts determined to be in excess of the amounts required for bureau operations and programs to the Treasury General Fund periodically throughout the fiscal year. Seigniorage derived from the sale of circulating coins and the sale of numismatic products containing circulating coins is an off-budget receipt to the Treasury General Fund. Off-budget means that these funds cannot be used for currently-funded programs or to reduce the annual budget deficit. Instead, they are used solely as a financing source (i.e., they reduce the amount of cash that Treasury has to borrow to pay interest on the national debt).

Revenue generated from the sale of numismatic products is transferred to the Treasury General Fund as an on-budget receipt. Unlike seigniorage, the numismatic transfer amount is available to the Federal Government as current operating cash or it can be used to reduce the annual budget deficit.

In FY 2013, the Mint transferred approximately \$5 million in unclaimed surcharges from an expired commemorative coin program. In accordance with the provisions of Public Law 108-15, as codified at 31 U.S.C. § 5134(f)(1)(B), these funds were returned to the Treasury because the recipient organization was unable to qualify for a surcharge disbursement. Because these funds were generated by a numismatic program, they were transferred to the General Fund as an on-budget receipt.

**BUDGETARY RESOURCES** The Mint does not receive an appropriation from the Congress. Instead, the bureau receives all financing from the public and the FRBs, and receives an apportionment of those funds from OMB. This apportionment is considered a budgetary authority, which allows the Mint to spend the funds. The bureau's budgetary resources consist of unobligated balances, transfers, and spending authority from offsetting collections, which is net of amounts that are permanently not available. "Permanently not available" funds are on-budget transfers to the General Fund.

**HEDGING** The Mint engages in a hedging program to avoid the effects of fluctuating silver costs as a result of the changes in market prices. The bureau purchases silver in large quantities and sells an interest in that silver to a trading partner, while maintaining physical custody and title to the silver. Sales of silver to the trading partner are made at the same spot price that the Mint paid to obtain the silver on the open market. The partner's interest in the bureau's silver is reduced as finished silver bullion coins are sold to Authorized Purchasers (APs). Repurchases of the trading partner's interest in the silver occurs upon sale of coins by the 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 trading partner carries a small transaction fee, the selling and buying fees net to a cost of one-half cent per ounce. The bureau incurred \$212 thousand in hedging fees in FY 2013, compared to \$169 thousand incurred in FY 2012.

**RECLASSIFICATION** Certain prior year amounts have been reclassified to conform to the September 30, 2013 presentation.

## 2. NON-ENTITY ASSETS

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

(dollars in thousands)	2013	2012
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
<b>Total Non-entity Assets</b>	<u>10,493,740</u>	<u>10,493,740</u>
<b>Total Entity Assets</b>	1,405,405	1,541,660
<b>Total Assets</b>	<u>\$ 11,899,145</u>	<u>\$ 12,035,400</u>

Entity assets are assets that the reporting entity has authority to use in its operations. Mint management has legal authority to use entity assets to meet entity obligations. United States gold and silver bullion reserves, for which the bureau is custodian, are non-entity assets.

## 3. FUND BALANCE WITH TREASURY

Fund Balance with Treasury at September 30 consists of:

(dollars in thousands)	2013	2012
Revolving Fund	\$ 713,062	\$ 964,423
Other Fund Types	94	94
Total of Fund Balance with Treasury	<u>\$ 713,156</u>	<u>\$ 964,517</u>

### Status of Fund Balance with Treasury

Unobligated Balance	\$ 496,291	\$ 693,852
Obligated Balance, Not Yet Disbursed	192,474	270,571
Adjustment for Authority Unavailable for Obligations	24,297	–
Non-Budgetary FBWT	94	94
Total	<u>\$ 713,156</u>	<u>\$ 964,517</u>

The Mint does not receive appropriated budget authority. The Fund Balance with Treasury is entirely available for use to support bureau operations. At September 30, 2013 and 2012, the revolving fund balance included \$6.1 million and \$11.2 million, respectively, in restricted amounts for possible payment of surcharges to recipient organizations.

#### 4. ACCOUNTS RECEIVABLE, NET

Components of accounts receivable are as follows:

(dollars in thousands)	September 30, 2013		
	Gross Receivables	Allowance	Net Receivables
Intragovernmental	\$ 5,946	\$(5,946)	\$ -
With the Public	20,899	(462)	20,437
Total Accounts Receivable	<u>\$ 26,845</u>	<u>\$(6,408)</u>	<u>\$ 20,437</u>

(dollars in thousands)	September 30, 2012		
	Gross Receivables	Allowance	Net Receivables
Intragovernmental	\$ 5,946	\$(5,946)	\$ -
With the Public	12,490	(397)	12,093
Total Accounts Receivable	<u>\$ 18,436</u>	<u>\$(6,343)</u>	<u>\$ 12,093</u>

Intragovernmental accounts receivable are fully reserved as of September 30, 2013 and 2012. The Mint entered into an arrangement for the production and sale of a joint numismatic product with another federal agency. The other agency owes the Mint approximately \$5.9 million, which the bureau has been unable to collect. In keeping with the bureau write-off policy, the debt has been moved to the Allowance for Uncollectible Accounts account, which produces a net intragovernmental accounts receivable amount of zero.

Receivables with the public at September 30, 2013, are \$20 million, of which \$17.5 million is owed by fabricators for scrap, webbing, and mutilated coin. The remaining \$2.5 million is owed by the public for numismatic products. This compares to receivables with the public at September 30, 2012, of \$12.5 million, of which \$8.3 million was owed by fabricators for scrap and webbing, in addition to amounts owed by the public for numismatic products. The allowance for doubtful accounts is the balance of the accounts receivable with the public that is past due by 180 days or more. Collection action continues on these accounts, but an allowance is recorded.

#### 5. ADVANCES AND PREPAYMENTS

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

(dollars in thousands)	2013	2012
Intragovernmental	\$ 2,271	\$ 3,232
With the Public	1	1
Total Other Assets	<u>\$ 2,272</u>	<u>\$ 3,233</u>

Intragovernmental advances and prepayments as of September 30, 2013 and 2012 include \$1.0 million and \$1.6 million, respectively, that the Mint paid the Treasury Working Capital Fund (WCF) for a variety of centralized services. Treasury is ending its practice of collecting advances to fund the WCF and moving towards a reimbursable activity, which is why the WCF advance balance has decreased since FY 2012 and will continue to decrease until the balance is zero and the WCF begins to bill actual cost for services rendered. The remaining balance of approximately \$1.3 million represents payments made to the United States Postal Service for product delivery services as of September 30, 2013, compared to approximately \$1.6 million paid at September 30, 2012. Advances with the public for both FY 2013 and 2012 are outstanding travel advances to bureau employees who were traveling on government business.

## 6. CUSTODIAL GOLD AND SILVER RESERVES

As custodian, the Mint is responsible for safeguarding much of the United States 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 per fine troy ounce (FTO) of gold and no less than \$1.292929292 per FTO of silver are used to value the custodial assets held by the bureau.

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

	2013	2012
<b>Gold - Deep Storage:</b>		
Inventories (FTO)	245,262,897	245,262,897
Market Value (\$ per FTO)	\$ 1,326.50	\$ 1,776.00
Market Value (\$ in thousands)	\$ 325,341,233	\$ 435,586,905
Statutory Value (\$ in thousands)	\$ 10,355,539	\$ 10,355,539
<b>Gold - Working Stock:</b>		
Inventories (FTO)	2,783,219	2,783,219
Market Value (\$ per FTO)	\$ 1,326.50	\$ 1,776.00
Market Value (\$ in thousands)	\$ 3,691,940	\$ 4,942,996
Statutory Value (\$ in thousands)	\$ 117,514	\$ 117,514
<b>Silver - Deep Storage:</b>		
Inventories (FTO)	7,075,171	7,075,171
Market Value (\$ per FTO)	\$ 21.68	\$ 34.65
Market Value (\$ in thousands)	\$ 153,390	\$ 245,154
Statutory Value (\$ in thousands)	\$ 9,148	\$ 9,148
<b>Silver - Working Stock:</b>		
Inventories (FTO)	8,924,829	8,924,829
Market Value (\$ per FTO)	\$ 21.68	\$ 34.65
Market Value (\$ in thousands)	\$ 193,490	\$ 309,245
Statutory Value (\$ in thousands)	\$ 11,539	\$ 11,539
<b>Total Market Value of Custodial Gold and Silver Reserves (\$ in thousands)</b>	<b>\$ 329,380,053</b>	<b>\$ 441,084,300</b>
<b>Total Statutory Value of Custodial Gold and Silver Reserves (\$ in thousands)</b>	<b>\$ 10,493,740</b>	<b>\$ 10,493,740</b>

## 7. INVENTORY

The components of inventories at September 30 are summarized below:

(dollars in thousands)	2013	2012
Raw Materials	\$ 320,092	\$ 184,383
Work-In-Process	62,168	98,348
Inventory held for current sale	89,757	78,881
Total Inventory	<u>\$ 472,017</u>	<u>\$ 361,612</u>

Raw materials consist of unprocessed materials and by-products of the manufacturing process and the metal value of unusable inventory, such as scrap or condemned coins, which will be recycled into a usable raw material. In addition, as of September 30, 2013 and 2012, the inventory includes \$251.8 million and \$241.5 million, respectively, which are the market values of the silver hedged. Additional information can be found in note 20. Work-in-process consists of semi-finished materials.

## 8. PROPERTY, PLANT, AND EQUIPMENT, NET

Components of property, plant and equipment are as follows:

(dollars in thousands)	Asset Cost	September 30, 2013	
		Accumulated Depreciation and Amortization	Total Property, Plant and Equipment, Net
Land	\$ 2,529	\$ –	\$ 2,529
Structures, Facilities and Leasehold Improvements	211,769	(134,074)	77,695
Computer Equipment	26,036	(24,000)	2,036
ADP Software	14,943	(14,466)	477
Construction-In-Progress	14,284	–	14,284
Machinery and Equipment	286,587	(200,299)	86,288
Total Property, Plant and Equipment, Net	<u>\$ 556,148</u>	<u>\$ (372,839)</u>	<u>\$ 183,309</u>

(dollars in thousands)	Asset Cost	September 30, 2012	
		Accumulated Depreciation and Amortization	Total Property, Plant and Equipment, Net
Land	\$ 2,529	\$ –	\$ 2,529
Structures, Facilities and Leasehold Improvements	228,896	(150,760)	78,136
Computer Equipment	31,232	(29,062)	2,170
ADP Software	16,183	(15,508)	675
Construction-In-Progress	16,450	–	16,450
Machinery and Equipment	279,372	(196,805)	82,567
Total Property, Plant and Equipment, Net	<u>\$ 574,662</u>	<u>\$ (392,135)</u>	<u>\$ 182,527</u>

The land and buildings used to manufacture circulating coinage and numismatic products are owned by the Mint and located in Philadelphia, Denver, San Francisco, and West Point. In addition, the bureau owns the land and buildings at the United States Bullion Depository at Fort Knox. Construction-in-progress (CIP) represents assets that are underway, such as in the process of being readied for use, or which are being tested for acceptability, but which are not yet being fully utilized by the Mint and, therefore, not being depreciated. Depreciation and amortization expenses charged to operations during the FY 2013 and FY 2012 were \$26.5 million and \$27.8 million, respectively.

## 9. HERITAGE ASSETS

The Mint maintains collections of heritage assets, which are any property, plant, or equipment that are retained by the bureau for their historic, natural, cultural, educational, or artistic value, or significant architectural characteristics. For example, the Mint's historical artifacts include, among other things, examples of furniture and equipment used in the bureau's facilities over the years, as well as examples of the coin manufacturing process, such as plasters, galvanos, dies, punches, and actual finished coins. The coin collections include examples of the various coins produced by the Mint over the years, separated into collections of pattern pieces/prototypes, coin specimens, quality samples, and exotic metal coin samples. The buildings housing the bureau's facilities at Denver, West Point, San Francisco, and Fort Knox are all considered multi-use heritage assets. The Mint generally does not place a value on heritage assets, even though some of the coins and artifacts are priceless. However, the assets are accounted for, and controlled for, protection and conservation purposes. Heritage assets held by the bureau are generally in acceptable physical condition. The following chart represents the Mint's various collections and historical artifacts.

Coin Collections	Quantity of Collections Held September 30,	
	2013	2012
Pattern Pieces/Prototypes	1	1
Coin Specimens	1	1
Quality Samples	1	1
Exotic Metal Coin Samples	1	1
Total	<u>4</u>	<u>4</u>

Historical Artifacts	Quantity of Collections Held September 30,	
	2013	2012
Antiques/Artifacts	1	1
Plasters	1	1
Galvanos	1	1
Dies	1	1
Punches	1	1
Historical Documents	1	1
Multi-use heritage assets	4	4
Total	<u>10</u>	<u>10</u>

## 10. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

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

(dollars in thousands)	2013	2012
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
Other	94	94
Total Liabilities Not Covered by Budgetary Resources	<u>\$ 10,493,834</u>	<u>\$ 10,493,834</u>
Total Liabilities Covered by Budgetary Resources	<u>88,206</u>	<u>95,913</u>
Total Liabilities	<u>\$ 10,582,040</u>	<u>\$ 10,589,747</u>

Liabilities not covered by budgetary resources represent the Mint's custodial liabilities to the Treasury that are entirely offset by United States gold and silver reserves held by the bureau on behalf of the federal government. The category "Other" represents a refundable security deposit related to a lease.

## 11. RETIREMENT PLANS, OTHER POST-EMPLOYMENT COSTS AND OTHER IMPUTED COSTS

The Mint contributes seven percent of basic pay for employees participating in the Civil Service Retirement System (CSRS). Most employees hired after December 31, 1983, are automatically covered by the Federal Employees' Retirement System (FERS) and Social Security. A primary feature of FERS is that it offers a savings plan to which the bureau automatically contributes one percent of basic pay and matches employee contributions up to an additional four percent of basic pay. Employees can contribute a specific dollar amount or a percentage of their basic pay, as long as the annual dollar total does not exceed the Internal Revenue Code limit of \$17,500 for calendar year 2013 (a \$5,500 catch-up contribution can be given by participants age 50 and older in addition to the \$17,500 contribution). Employees participating in FERS are covered by the Federal Insurance Contribution Act (FICA), for which the Mint contributes a matching amount to the Social Security Administration.

Although the bureau contributes a portion for pension benefits and makes the necessary payroll deductions, it is not responsible for administering either CSRS or FERS. Administering and reporting on pension benefit programs are the responsibilities of the Office of Personnel Management (OPM). OPM



has provided the Mint with certain cost factors that estimate the cost of providing the pension benefit to current employees. The cost factors of 32.3 percent of basic pay for CSRS-covered employees and 14.2 percent of basic pay for FERS-covered employees were in use for FY 2013. The CSRS and FERS factors were 29.8 percent and 13.7 percent, respectively, in FY 2012.

The amounts that the bureau contributed to the retirement plans and Social Security for the year ended September 30 are as follows:

(dollars in thousands)	2013	2012
Social Security System	\$ 7,325	\$ 7,335
Civil Service Retirement System	994	1,124
Federal Employees Retirement System (Retirement and Thrift Savings Plan)	13,342	13,503
Total Retirement Plans and Other Post-employment Cost	<u>\$ 21,661</u>	<u>\$ 21,962</u>

The Mint also recognizes its share of the future cost of pension payments and post-retirement health and life insurance benefits 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 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 \$5,190 and \$5,817 per employee enrolled in the Federal Employees Health Benefits Program in FY 2013 and FY 2012, respectively. The cost factor relating to life insurance is two-one hundredths percent (.02 percent) of basic pay for employees enrolled in the Federal Employees Group Life Insurance Program for both FY 2013 and FY 2012.

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

(dollars in thousands)	2013	2012
Health Benefits	\$ 7,872	\$ 8,375
Life Insurance	32	32
Pension Expense	4,466	3,938
Total Imputed Retirement and Postemployment Costs	<u>\$ 12,370</u>	<u>\$ 12,345</u>

In addition to the pension and retirement benefits described above, the Mint records imputed costs and financing for Treasury Judgment Fund payments made on behalf of the bureau. Entries are made in accordance with FASAB Interpretation No. 2. During FY 2013, the Judgment Fund paid \$312 thousand on behalf of the Mint for the clean-up of an EPA Superfund site and for a tort claim. The EPA Superfund payment was part of a multi-year court order, which requires that the bureau and two other federal agencies pay for cleaning up the site. Payments are made by the Judgment Fund when the judge in the case determines that the site owner has submitted valid bills for clean-up work. Also during FY 2013, the Mint received unreimbursed services (imputed financing) from another federal agency. The amount was \$1.1 million. For FY 2012, entries for Judgment Fund payments totaled about \$0.7 million.

## 12. LEASE COMMITMENTS

**THE MINT AS LESSEE:** The bureau leases office and warehouse space from commercial vendors, the General Services Administration (GSA), and the Bureau of Engraving and Printing. In addition, the bureau leases copiers and other office equipment from commercial vendors and vehicles from GSA. With the exception of the commercial lease on an office building in Washington, D.C., all leases are one-year, or one-year with renewable option years. The Headquarters building lease in Washington, D.C. has a term of 20 years with renewal options. Because all of the Mint's leases can be canceled, there are no minimum lease payments due.

**THE MINT AS LESSOR:** The bureau sublets office space at cost to several other federal entities in the leased Headquarters building in Washington, D.C. As of September 30, 2013, the Mint sublet in excess of 56,000 square feet in the leased building. Tenants include the Internal Revenue Service, Treasury Executive Institute, and U.S. Marshals Service. All of the subleases are operating leases and subject to annual availability of funding. The bureau has also entered into an agreement to sublet space in the Headquarters building to a commercial tenant. The Mint received a security deposit from the tenant of \$94,500.

Future Projected Receipts:	Building Sub-lease
Year 4 (FY 2014)	\$378,000
Year 5 (FY 2015)	378,000
Year 6 (FY 2016)	404,460
Year 7 (FY 2017)	404,460
Year 8 (FY 2018)	404,460
Year 9 (FY 2019)	404,460
Total Future Operating Lease Receipts	<u><u>\$2,373,840</u></u>

### 13. CONTINGENCIES

The 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 bureau 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 whistle blowing will be paid from the PEF. In the opinion of management, the ultimate resolution of these actions will not materially affect the Mint's financial position or the results of its operations.

The Chief Counsel of the Mint provided a Legal Representation Letter reflecting no expected material loss resulting from pending legal cases.

### 14. FUNDS FROM DEDICATED COLLECTIONS (FORMERLY EARMARKED FUNDS)

Pursuant to 31 U.S.C. § 5136, all receipts from 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 funds from dedicated collections as defined in *Statement of Federal Financial Accounting Standards 27, Identifying and Reporting Earmarked Funds* and *SFFAS 43 Funds from Dedicated Collections: Amending SFFAS 27, Identifying and Reporting Earmarked Funds*. As non-entity and non-PEF assets, the United States gold and silver reserves are not included in the funds from dedicated collections.

### 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. 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:

(dollars in thousands)	2013	2012
<b>Numismatic Production and Sales</b>		
<b>Cost:</b>		
Intragovernmental:		
Cost of Goods Sold	\$ 19,691	\$ 19,607
Selling, General and Administrative	19,451	19,410
Imputed Costs	6,395	5,884
Total Intragovernmental Costs	45,537	44,901
Public:		
Cost of Goods Sold	3,480,551	2,722,438
Selling, General and Administrative	65,469	65,649
Total Public Cost	3,546,020	2,788,087
Gross Cost	3,591,557	2,832,988
<b>Revenue:</b>		
Intragovernmental:		
Rent Revenues	3,093	3,408
Other Intragovernmental Revenues	26	66
Total Intragovernmental Revenues	3,119	3,474
Public	3,714,304	2,908,958
Total Earned Revenue	3,717,423	2,912,432
Net Program Cost (Revenue)	\$ (125,866)	\$ (79,444)
<b>Numismatic Production and Sales of Circulating Coins</b>		
<b>Cost:</b>		
Intragovernmental:		
Selling, General and Administrative	\$ 324	\$ 226
Total Intragovernmental Costs	324	226
Public:		
Cost of Goods Sold	8,934	5,775
Selling, General and Administrative	1,089	764
Total Public Cost	10,023	6,539
Gross Cost	10,347	6,765
<b>Revenue:</b>		
Public	10,347	6,765
Total Earned Revenue	10,347	6,765
Net Program Cost (Revenue)	\$ –	\$ –
<b>Circulating Production and Sales</b>		
<b>Cost:</b>		
Intragovernmental:		
Cost of Goods Sold	\$ 2,028	\$ 2,197
Selling, General and Administrative	13,444	13,062
Imputed Costs	7,363	7,160
Total Intragovernmental Costs	22,835	22,419
Public:		
Cost of Goods Sold	358,532	305,030
Selling, General and Administrative	43,494	48,551
Other Costs and Expenses (Mutilated and Uncurrent)	15,747	11,434
Total Public Cost	417,773	365,015
Gross Cost	440,608	387,434
<b>Revenue:</b>		
Public	440,608	387,434
Total Earned Revenue	440,608	387,434
Net Program Cost (Revenue)	\$ –	\$ –
Net Cost (Revenue) Before Protection of Assets	\$ (125,866)	\$ (79,444)

	2013	2012
<b>Protection of Assets</b>		
Intragovernmental:		
Protection Cost	\$ 7,617	\$ 8,326
Revenues	27	–
Public:		
Protection Cost	35,546	33,869
Total Earned Revenue	–	–
Net Cost of Protection of Assets	\$ 43,136	\$ 42,195
Net Cost (Revenue) from Operations	\$ (82,730)	\$ (37,249)

## 16. EARNED REVENUE AND OTHER FINANCING SOURCE (SEIGNIORAGE)

The Statement of Net Cost reflects the earned revenue and corresponding gross costs for Circulating Production and Sales and for Numismatic Production and Sales of Circulating Coins. Circulating Production and Sales represents coin sales to the FRB, and Numismatic Production and Sales of Circulating Coins represents sales of circulating coins to the public (i.e., numismatic customers). SFFAS Number 7, *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting*, limits the amount of net program revenue from production of circulating coins to the cost of metal, manufacturing and transportation. OMB Circular A-136 defines the treatment of other financing sources on the Statement of Changes in Net Position, particularly as it relates to seigniorage. Therefore, on the Statement of Net Cost, earned revenue is recognized only to the extent of the gross cost of production. The difference between those costs and the face value of the coin is an “Other Financing Source” referred to as seigniorage. Any revenue over face value for circulating coins sold as numismatic items is considered earned revenue and included in the category Numismatic Production and Sales on the Statement of Net Cost.

The following chart reflects the two components of the receipts from the sale of circulating coin – the earned revenue from the Statement of Net Costs and Seigniorage from the Statement of Changes in Net position for the year ended September 30:

(dollars in thousands)	2013	2012
Revenue-FRB	\$ 440,608	\$ 387,434
Seigniorage-FRB	137,415	105,850
Total Circulating Coins	\$ 578,023	\$ 493,284
Revenue-with the public	\$ 10,347	\$ 6,765
Seigniorage-with the public	29,276	22,859
Total Numismatic sales of Circulating Coins	\$ 39,623	\$ 29,624
Total Seigniorage	\$ 166,691	\$ 128,709

## 17. APPORTIONMENT CATEGORIES OF OBLIGATIONS INCURRED

The Mint receives apportionments of its resources from OMB. An apportionment is an OMB-approved plan to use budgetary resources. An apportionment typically limits the obligations an agency may incur for specified time periods, programs, activities, projects, objects, or any combination thereof. All bureau 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 Mint has only category B apportionments.

**18. EXPLANATION OF DIFFERENCES BETWEEN THE STATEMENT OF BUDGETARY RESOURCES AND THE BUDGET OF THE UNITED STATES GOVERNMENT**

SFFAS No. 7, *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting*, requires an explanation of material differences between the Statement of Budgetary Resources (SBR) and the related actual balances published in the Budget of the United States Government (President’s Budget). The President’s Budget for fiscal year FY 2013 is expected to be published in February 2014 and made available through OMB. Therefore, the analysis presented here is for the prior year (FY 2012) “actual” figures published in the President’s budget in February 2013. The following chart displays the comparison of the FY 2012 SBR and the actual FY 2012 balances included in the FY 2014 President’s Budget.

(rounded to millions)

	September 30, 2012	
	Statement of Budgetary Resources	President’s Budget
United States Mint Public Enterprise Fund		
Total Budgetary Resources	\$3,800	\$3,800
Status of Budgetary Resources:		
Obligations Incurred	\$3,106	\$3,106
Unobligated Balances-available	694	694
Total Status of Budgetary Resources	\$3,800	\$3,800
Net Outlays	\$ 289	\$ 289

**19. LEGAL ARRANGEMENTS AFFECTING USE OF UNOBLIGATED BALANCES**

The PEF statute establishes that all receipts from 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 PEF and shall be available without fiscal year limitations. Any amount that the Secretary of the Treasury determines to be in excess of the amount required by the PEF shall be transferred to the Treasury for deposit as miscellaneous receipts. At September 30, 2013 and 2012, the bureau transferred excess receipts to the Treasury General Fund of \$42 million and \$77 million, respectively. The FY 2013 transfer included approximately \$5 million in unclaimed surcharges from an expired commemorative coin program, as directed by the provisions of Public Law 108-15, codified at 31 U.S.C. § 5134(f)(1)(B). Because these funds were generated by a numismatic program, they were transferred to the General Fund as an on-budget receipt. Also during FY 2013, the Mint transferred \$350 million in excess receipts, or seigniorage, to the General Fund.

**20. HEDGING PROGRAM**

At September 30, 2013 and 2012, the market value of the silver sold to the trading partner and not yet sold by the Mint and, therefore, not repurchased from the trading partner, was \$251.8 million and \$241.5 million, respectively. At September 30, 2013, neither the bureau nor the trading partner owed the other for unpaid realized gains or losses, while at September 30, 2012, the bureau owed the trading partner \$1.2 million in unpaid realized losses. In FY 2013, the bureau recorded an unrealized loss of \$4.0 million compared to an unrealized loss of \$1.9 million in FY 2012.

## 21. RECONCILIATION OF NET COST OF OPERATIONS (PROPRIETARY) TO BUDGET

(dollars in thousands)	For The Years Ended September 30,	
	2013	2012
<b>Resources Used to Finance Activities:</b>		
<b>Budgetary Resources Obligated</b>		
Obligations Incurred	\$ 4,158,603	\$ 3,106,304
Less: Spending Authority from		
Offsetting Collections and Recoveries	4,027,338	3,464,062
<b>Net Obligations</b>	131,265	(357,758)
<b>Other Resources</b>		
Transfers to the Treasury General Fund On-Budget	(41,999)	(77,000)
Transfers to the Treasury General Fund Off-Budget	(350,000)	–
Imputed Financing from Costs Absorbed by Others	13,757	13,043
Other Financing Sources (Seigniorage)	166,691	128,709
Transfers in without reimbursement	273	–
Net Other Resources Used to Finance Activities	(211,278)	64,752
Total Resources Used to Finance Activities	(80,013)	(293,006)
<b>Resources Used to Finance Items Not Part of the Net Cost of Operations:</b>		
Change in Budgetary Resources Obligated for Goods, Services and Benefits Ordered but Not Yet Provided	(76,252)	(30,491)
Resources that fund Expenses Recognized in Prior Periods	(10)	(272)
Resources that Finance the Acquisition of Assets or Liquidation of Liabilities	577,721	426,508
Other	(42,448)	(77,000)
Total Resources Used to Finance Items Not Part of the Net Cost of Operations	459,011	318,745
Total Resources Used to Finance the Net Cost of Operations	(539,024)	(611,751)
<b>Components Requiring or Generating Resources in Future Periods</b>		
Increase in Exchange Revenue Receivable from the Public	–	(165)
Total Components of Net Cost of Operations that will Require or Generate Resources in Future Periods	–	(165)
<b>Components not Requiring or Generating Resources in the Current Period</b>		
Depreciation and Amortization	26,499	27,767
Revaluation of Assets	7,767	3,204
Other	422,028	543,696
Total Components of Net Revenue from Operations that will not require or Generate Resources	456,294	574,667
Total Components of Net Revenue from Operations that will not require or Generate Resources in the Current Period	456,294	574,502
Net Cost (Revenue) from Operations	\$ (82,730)	\$ (37,249)

## 22. UNDELIVERED ORDERS AT THE END OF THE PERIOD

Budgetary resources obligated for undelivered orders as of September 30, 2013 and 2012 were \$121,422 and \$196,478, respectively.

## REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

### FOR THE YEARS ENDED SEPTEMBER 30, 2013 AND 2012

#### INTRODUCTION

This section provides the Required Supplemental Information as prescribed by the Office of Management and Budget (OMB) Circular A-136, "Financial Reporting Requirements" and Statement of Federal Financial Accounting Standards (SFFAS) #29 Heritage Assets and Stewardship Land.

#### HERITAGE ASSETS

The Mint is steward of a large, unique and diversified body of heritage assets that demonstrate the social, educational and cultural heritage of the Mint. These items include a variety of rare and semi-precious coin collections and historical artifacts, and are held at various Mint locations. Some of these items are placed in locked vaults within the 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.

Included in the heritage assets are the buildings housing the Mint at Denver, West Point, San Francisco, and Fort Knox. The Mint generally does not place a value on heritage assets, even though some of the coins and artifacts are priceless. However, the assets are accounted for and controlled for protection and conservation purposes. Heritage assets held by the Mint are generally in acceptable physical condition, and there is no deferred maintenance on the Denver, West Point, San Francisco, and Fort Knox buildings.

## OTHER INFORMATION

### DEPARTMENT OF THE TREASURY UNITED STATES MINT SCHEDULE OF SPENDING

	For The Years Ended September 30,	
	2013	2012
	(dollars in thousands)	
<b>What Money is Available to Spend?</b>		
Total Resources	\$4,654,894	\$3,800,156
Less Amount Not Agreed to be Spent	(496,291)	(669,760)
Less Amount Not Available to be Spent	0	(24,092)
Total Amounts Agreed to be Spent	\$4,158,603	\$3,106,304
<b>How was the Money Spent?</b>		
Personnel Compensation	150,393	151,290
Personnel Benefits	47,104	45,681
Benefits for Former Personnel	1,038	171
Travel and transportation of persons	1,355	2,189
Transportation of things	32,291	29,840
Rent, Communications, and utilities	24,305	25,121
Printing and reproduction	1,158	1,132
Other contractual services	(15,703)	102,487
Supplies and materials	3,884,540	2,714,895
Equipment	19,899	23,551
Land and structures	10,240	9,945
Insurance claims and indemnities	1,981	0
Interest and dividends	2	2
Total Amounts Agreed to be Spent	\$4,158,603	\$3,106,304
<b>Who did the Money go to?</b>		
Federal	61,485	68,280
Non-Federal	4,097,118	3,038,024
Total Amounts Agreed to be Spent	\$4,158,603	\$3,106,304



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## Independent Auditors' Report on Internal Control Over Financial Reporting

Inspector General  
United States Department of the Treasury

Deputy Director  
United States Mint:

We have audited, 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. 14-02, *Audit Requirements for Federal Financial Statements*, the financial statements of United States Mint, which comprise the balance sheets as of September 30, 2013 and 2012, and the related statements of net cost, changes in net position, and budgetary resources for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated January 8, 2014.

### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements as of and for the year ended September 30, 2013, we considered the United States Mint's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the United States Mint's internal control. Accordingly, we do not express an opinion on the effectiveness of the United States Mint's internal control. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.





### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and the result of that testing, and not to provide an opinion on the effectiveness of the United States Mint's internal control. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the United States Mint's internal control. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

January 8, 2014



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## Independent Auditors' Report on Compliance and Other Matters

Inspector General  
United States Department of the Treasury

Deputy Director  
United States Mint:

We have audited, 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. 14-02, *Audit Requirements for Federal Financial Statements*, the financial statements of United States Mint, which comprise the balance sheets as of September 30, 2013 and 2012, and the related statements of net cost, changes in net position, and budgetary resources for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated January 8, 2014.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the United States Mint's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts, and certain provisions of other laws and regulations specified in OMB Bulletin No. 14-02. 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 disclosed no instances of noncompliance or other matters that are required to be reported herein under *Government Auditing Standards* or OMB Bulletin No. 14-02.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of compliance and the result of that testing, and not to provide an opinion on the United States Mint's compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the United States Mint's compliance. Accordingly, this communication is not suitable for any other purpose.

**KPMG LLP**

January 8, 2014

# APPENDIX I: FY 2013 COIN AND MEDAL PRODUCTS

## AMERICA THE BEAUTIFUL QUARTERS® PROGRAM

### DENALI NATIONAL PARK AND PRESERVE—ALASKA

**Coin Released:** November 5, 2012

**Description:** The first national park established to protect wildlife populations, Denali National Park and Preserve covers six million acres of wild land, and is home to grizzly bears, caribou, wolves, Dall sheep, and moose. North America's tallest peak, Mount McKinley, is one of the boundaries of the park. The reverse design of this coin features a Dall sheep with Mount McKinley rising in the background.



### WHITE MOUNTAIN NATIONAL FOREST—NEW HAMPSHIRE

**Coins Released:** January 28, 2013

**Description:** White Mountain National Forest was established as a national site on May 16, 1918, and is one of America's most visited national forests. Mount Washington, the highest peak north of the Smoky Mountains and east of the Mississippi, is located within the park. On the coin, Mount Chocorua, the easternmost peak of the Sandwich Range, is featured on the reverse.



### PERRY'S VICTORY AND INTERNATIONAL PEACE MEMORIAL—OHIO

**Coins Released:** April 1, 2013

**Description:** Perry's Victory and International Peace Memorial site in Ohio was established to honor those who fought in the Battle of Lake Erie during the War of 1812 and to commemorate the long-lasting peace among the United Kingdom, Canada, and the United States. The reverse features the statue of Master Commandant Oliver Hazard Perry with the Peace Memorial located in the distance.



### GREAT BASIN NATIONAL PARK—NEVADA

**Coins Released:** June 10, 2013

**Description:** Great Basin National Park has exceptional examples of regional geology, biologic diversity, and scenic grandeur. With more than 40 miles of perennial streams and 400 springs, it is an oasis in the desert. The park has numerous Bristlecone Pine groves (as depicted on the reverse of the quarter), some with trees older than 4,000 years.



### FORT McHENRY NATIONAL MONUMENT AND HISTORIC SHRINE—MARYLAND

**Coin Released:** August 26, 2013

**Description:** Built between 1799 and 1802 in Baltimore, Md., Fort McHenry was meant to defend the city of Baltimore. When the United States declared war against Great Britain in June 1812, the people of Baltimore were certain



the British would attack the city, so they strengthened defenses at the fort. Their fears were realized when the British attacked Fort McHenry in September 1812, after burning Washington. Francis Scott Key composed the words to “The Star-Spangled Banner” while watching the fierce fight from a British ship, where he was held until the battle was over—and the Americans won.

## PRESIDENTIAL \$1 COIN PROGRAM

### GROVER CLEVELAND PRESIDENTIAL \$1 COIN (SECOND TERM) 24<sup>TH</sup> PRESIDENT, 1893-1897

**Coin Released:** November 15, 2012

**Description:** President Cleveland served two non-consecutive terms in office. He and his wife, Frances, married during his first term, and between his first and second terms, they returned to New York, where he practiced law and they began their family. By the time Cleveland returned to office, the country was experiencing economic challenges, made even worse by the Sherman Silver Purchase Act. Cleveland persuaded Congress to repeal it and, with the aid of Wall Street, maintained the gold reserves. After leaving the White House for the second time, Cleveland retired to Princeton, N.J., dying there in 1908.



### WILLIAM McKINLEY PRESIDENTIAL \$1 COIN 25<sup>TH</sup> PRESIDENT, 1897-1901

**Coin Released:** February 19, 2013

**Description:** After serving as a major in the Union Army, McKinley practiced law in Ohio. He served in the U.S. House of Representatives for 14 years and as governor of Ohio for two terms before being elected President. During his administration, the United States won the Spanish-American War (and colonized Puerto Rico, Guam, and the Philippines), annexed Hawaii, and expanded international trade. He is credited with promoting industry and keeping the United States on the gold standard. McKinley won a second presidential election, but shortly after his inauguration, an assassin shot him at the Pan-American Exposition in Buffalo, N.Y. He died eight days later.



### THEODORE ROOSEVELT PRESIDENTIAL \$1 COIN 26<sup>TH</sup> PRESIDENT, 1901-1909

**Coin Released:** April 11, 2013

**Description:** Roosevelt was well known as a Rough Rider and naturalist, but he was also drawn to public service at an early age. One year after graduating from Harvard, he was elected to the New York State Assembly; after that, his public career spanned a range of appointments broken by stints as a rancher in North Dakota and a volunteer cavalry officer in Cuba during the Spanish-American War. While governor, he was elected to the vice presidency. After McKinley was assassinated, Roosevelt finished out McKinley’s term and then was elected in 1904. He saw the Panama Canal



completed and won the Nobel Peace Prize for ending the Russo-Japanese War. After running unsuccessfully for president in 1912, he went on a South American scientific expedition, which adversely affected his health. He died in 1919. While President, Roosevelt took an active interest in the design of American coinage, personally commissioning renowned sculptor Augustus Saint-Gaudens to redesign the “double eagle” (\$20) gold coin and the \$10 Indian head gold eagle.

### **WILLIAM HOWARD TAFT PRESIDENTIAL \$1 COIN**

**27<sup>TH</sup> PRESIDENT, 1909-1913**

**Coin Released:** July 9, 2013

**Description:** Taft is the only American to have served his country as both President and Chief Justice. He began his public service career by serving on the Superior Court of Cincinnati, then as the Solicitor General of the U.S. and as a judge on the U.S. Court of Appeals. He was appointed Governor-General of the Philippines, then Secretary of War. More interested in the legal precedent than in politics, Taft was not popular, but he was a hard worker and got results. In just four years, he filed 90 antitrust suits, created the United States Chamber of Commerce, reorganized both the State Department and the federal budget process (which prompted the Budget and Accounting Act of 1921), and proposed income taxes (which led the way for the Sixteenth Amendment to the Constitution). After losing the 1912 election, he served as a professor of law at Yale University and as president of the American Bar Association. President Warren G. Harding nominated Taft for Chief Justice, a position he held until 1930. He retired for health reasons, and died shortly thereafter.



### **FIRST SPOUSE GOLD BULLION COIN AND BRONZE MEDAL PROGRAM**

#### **ALICE PAUL AND THE SUFFRAGE MOVEMENT FIRST SPOUSE GOLD COIN AND BRONZE MEDAL—ADMINISTRATION OF PRESIDENT CHESTER ARTHUR, 1881-1885**

**Coin and Medal Released:** October 11, 2012

**Description:** Ellen Arthur, Chester Arthur’s wife, died before he served as President. The Presidential \$1 Coin Act specifies that a likeness of suffragist Alice Paul, born during Arthur’s term, appear on the obverse of the First Spouse Gold Coin accompanying President Arthur’s term. Ms. Paul dedicated her life to securing equal rights for all women, and because of her work, the 19th Amendment to the Constitution, ratified on August 26, 1920, finally gave women the right to vote.



**FRANCES CLEVELAND FIRST SPOUSE GOLD COIN  
AND BRONZE MEDAL—FIRST LADY, 1886-1889**

**Coin and Medal Released:** November 15, 2012

**Description:** When she was 21, Frances married President Cleveland, a long-time family friend 27 years older than she. Although she was young and beautiful, it was her charm that won the hearts of the American public. While in the White House, she gave two receptions per week, making sure that one was on Saturday afternoons, when women with jobs could attend. Common “shop girls,” government clerks, maids, and other service industry workers lined up in the regal East Room or, weather permitting, on the south lawn to shake the hand and have a personal word with the young and popular First Lady.



**CAROLINE HARRISON FIRST SPOUSE GOLD COIN  
AND BRONZE MEDAL—FIRST LADY, 1889-1892**

**Coin and Medal Released:** December 6, 2012

**Description:** Mrs. Harrison loved flowers, and enjoyed painting—two interests that are reflected on the reverse of this coin. During her time in the White House, she taught ceramic painting classes to Washington women, and decorated numerous pieces of White House china. As First Lady, she organized pieces of past Presidential china into a systematic collection for later display. She secured funding for much-needed renovations as well as funding for the Johns Hopkins University Medical School—with the condition that it admit women. She died of tuberculosis while her husband was still in office.



**FRANCES CLEVELAND FIRST SPOUSE GOLD COIN  
AND BRONZE MEDAL—FIRST LADY, 1893-1897**

**Coin and Medal Released:** December 20, 2012

**Description:** Frances Cleveland was the only First Lady to occupy the White House in two non-consecutive administrations. This time, she was chiefly occupied with her growing family—six children, all born within a 12-year span, which prompted her to hire a kindergarten teacher to teach in the White House, the first formalized school located there. She was also occupied with charitable works for women, supporting young musicians, African Americans, and educational opportunities for women..



### 2013 NATIVE AMERICAN \$1 COIN

**Coins Released:** April 23, 2013

**Description:** This coin commemorates the Delaware Treaty of 1778, the first formal treaty the United States signed after declaring independence. The mutual defense treaty allowed American troops to pass through the Delaware Tribe's land to attack the British fort at Detroit, Michigan. Under the treaty, the U.S. recognized the Delaware Nation's sovereignty. It also gave the Delaware Nation the option of joining other tribes in the Ohio region to form a state with the Delaware Tribe at the head to become part of the U.S. Confederation, with representation in Congress. Although the statehood option was never used, it foreshadowed the later acknowledgment of tribes as partners in the federal system. The reverse of this coin features a turkey, howling wolf, and turtle, all symbols of the clans of the Delaware Tribe.



### 5-STAR GENERALS COMMEMORATIVE COIN PROGRAM

**Coins Released:** March 21, 2013

**Mintage Limit:** 100,000 gold, \$5, 500,000 silver, \$1, 750,000 clad half-dollar

**Description:** Public Law 111-262 authorizes the United States Mint to mint and issue \$5 gold, \$1 silver, and half-dollar clad coins to commemorate United States Army 5-Star Generals Douglas MacArthur, George C. Marshall, Henry "Hap" Arnold, Dwight D. Eisenhower, and Omar N. Bradley, all either alumni of or instructors at the United States Army Command and General Staff College (CGSC). This is the 132nd anniversary of the founding of the CGSC. All surcharges are authorized to be paid to the CGSC Foundation to help finance its activities in support of the college.



### 2013 GIRL SCOUTS OF THE USA

#### CENTENNIAL COMMEMORATIVE COIN PROGRAM

**Coins Released:** February 28, 2013

**Mintage Limit:** 350,000

**Description:** Authorized by Public Law 111-86, these proof and uncirculated silver dollar coins commemorate the 100th anniversary of the establishment of the Girl Scouts of the United States of America. Established in 1912, there are more than 3.2 million members throughout the United States and its territories today. A \$10 per coin surcharge is authorized to be paid to Girl Scouts of the USA.



**PROFESSOR MUHAMMAD YUNUS  
CONGRESSIONAL GOLD MEDAL**

**Medal Awarded:** April 17, 2013

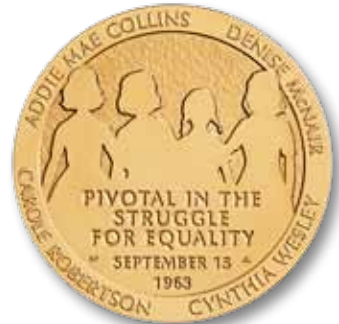
**Description:** A Congressional Gold Medal was awarded to Dr. Muhammad Yunus in recognition of his contributions to the fight against global poverty. Best known as the “banker to the poor,” Muhammad Yunus established the Grameen Bank in Bangladesh in 1983 to provide loans to poor people on reasonable terms to start their own businesses. He was one of the first to fight poverty through microcredit, contending that by lending money and teaching a few basic financial principles, people are generally able to lift themselves from poverty. This successful model of lending has been copied by more than 100 countries worldwide. His work with the poor led to various humanitarian awards, including the 2006 Nobel Peace Prize and the 2009 Presidential Medal of Freedom.



**16TH STREET BAPTIST CHURCH BOMBING VICTIMS  
CONGRESSIONAL GOLD MEDAL**

**Medal Awarded:** September 10, 2013

**Description:** A Congressional Gold Medal was awarded to Addie Mae Collins, Denise McNair, Carole Robertson, and Cynthia Wesley to commemorate the lives they lost when they were killed by a bomb that exploded at the Sixteenth Street Baptist Church in Birmingham, Alabama on September 15, 1963. This tragedy shocked the nation and galvanized the Civil Rights Movement, paving the way for President Lyndon B. Johnson to sign both the Civil Rights Act of 1964 and the Voting Rights Act of 1965 into law.



**2013 AMERICAN EAGLE PLATINUM PROOF COIN PROGRAM**

**Coin Released:** July 18, 2013

**Description:** In 2009, the Mint introduced a new six-year platinum proof coin program highlighting the six principles embodied in the Preamble to the U.S. Constitution. In 2013, a coin commemorating the principle, “To Promote the General Welfare,” was released. The reverse design features America against a backdrop of interlocking gears, symbolizing the interconnection of power between the states and the national government. The reverse designs in the Preamble Series are inspired by narratives prepared by the Chief Justice of the United States at the request of the Mint.







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