Audit Report

OIG-11-042

Audit of the United States Mint's Fiscal Years 2010 and 2009 Financial Statements

December 3, 2010

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 2010 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

December 3, 2010

MEMORANDUM FOR EDMUND C. MOY, DIRECTOR
UNITED STATES MINT

FROM: Michael Fitzgerald
Director, Financial Audits

SUBJECT: Audit of the United States Mint's Fiscal Years 2010 and 2009 Financial Statements

I am pleased to transmit the attached audited United States Mint (Mint) financial statements for fiscal years 2010 and 2009. Under a contract monitored by the Office of Inspector General, KPMG LLP, an independent certified public accounting firm, performed an audit of the financial statements of the Mint as of September 30, 2010 and 2009 and for the years then ended. The contract required that the audit be performed in accordance with generally accepted government auditing standards; applicable provisions of Office of Management and Budget Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements,* as amended; and the *GAO/PCIE Financial Audit Manual*.

The following reports, prepared by KPMG LLP, 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 LLP found:

- the financial statements were presented fairly, in all material respects, in conformity 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.

KPMG LLP also issued a management letter dated December 2, 2010 discussing certain matters involving internal control over financial reporting and its operation that were identified during the audit but were not required to be included in the auditors' reports. This letter will be transmitted separately.

In connection with the contract, we reviewed KPMG LLP'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 LLP is responsible for the attached auditors' reports dated December 2, 2010, and the conclusions expressed in the reports. However, our review disclosed no instances where KPMG LLP 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 Audits at (202) 927-5407.

Attachment

2010 ANNUAL REPORT
Connecting America through Coins

UNITED STATES MINT

VISION: TO BE RECOGNIZED
AS THE FINEST MINT
ORGANIZATION IN THE WORLD
THROUGH EXCELLENCE
IN OUR PEOPLE, PRODUCTS,
CUSTOMER SERVICE
AND WORKPLACE.

MISSION: TO MANUFACTURE
AND DISTRIBUTE CIRCULATING
COINS, PRECIOUS METALS
AND COLLECTIBLE COINS,
AND NATIONAL MEDALS
TO MEET THE NEEDS
OF THE UNITED STATES.

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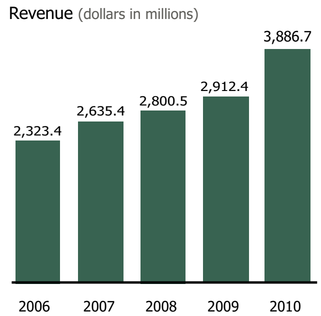
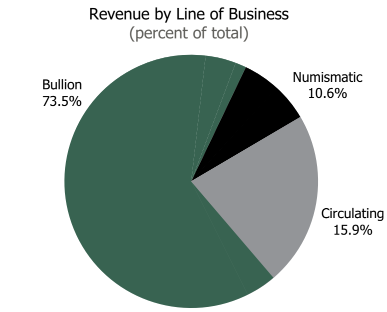
THE UNITED STATES MINT AT A GLANCE

UNITED STATES MINT

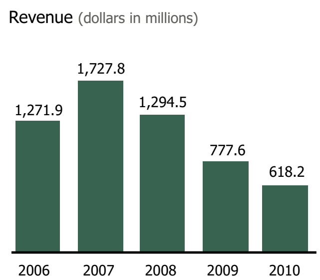
The United States Mint is the world's largest coin manufacturer. Our men and women serve the Nation by manufacturing and distributing circulating coins, precious metals and collectible coins and national medals to meet the needs of the United States. Our vision is to be recognized as the finest mint organization in the world through excellence in our people, products, customer service and workplace.

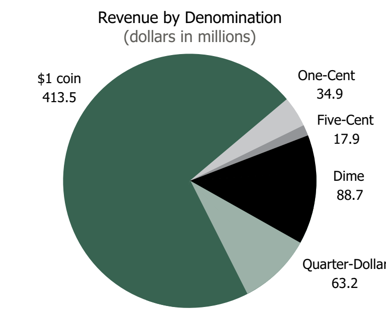




CIRCULATING COINAGE

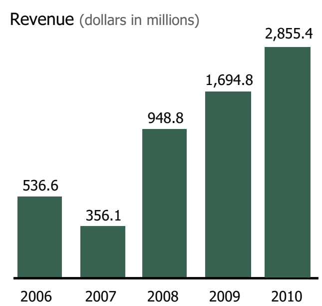
The United States Mint is the Nation's sole manufacturer of legal tender coinage. The efficient and effective minting and issuing of circulation coinage for the Nation to conduct trade and commerce is the United States Mint's highest priority.

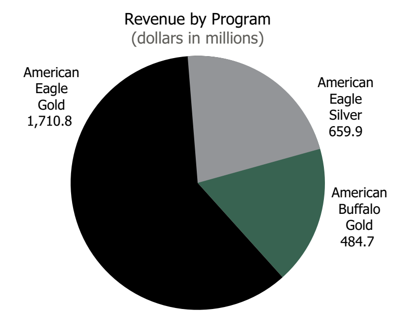




BULLION COINS

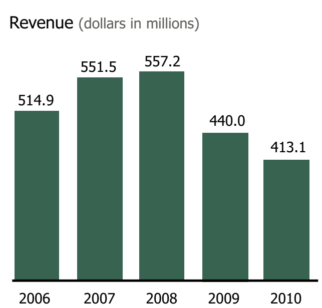
The United States Mint is the world's largest producer of gold and silver bullion coins. The bullion program provides consumers a simple and tangible means to acquire precious metal coins. Investors purchase bullion coins for their intrinsic metal value and the United States Government's guarantee of each coin's metal weight, content and purity.

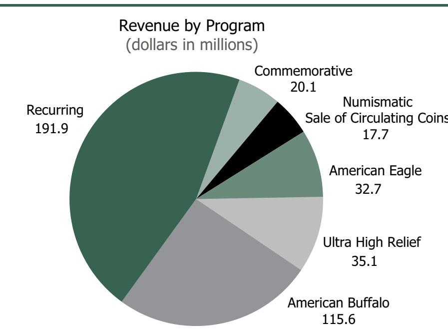




NUMISMATIC PRODUCTS

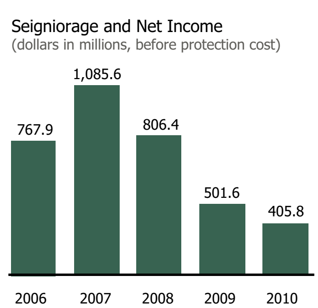
The United States Mint prepares and distributes numismatic products for collectors and those who desire high-quality versions of the Nation's coinage. Making numismatic products accessible, available, and affordable to Americans who choose to purchase them is the priority of numismatic operations.

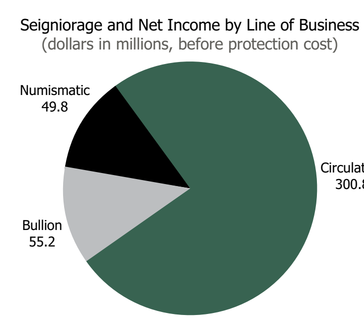


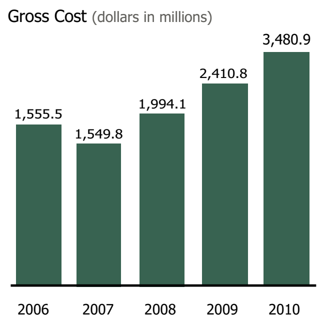


SEIGNIORAGE AND NET INCOME

Seigniorage, the net return from circulating operations, is the difference between the face value and cost of producing coinage. The United States Mint transfers seigniorage to the Treasury General Fund to help finance national debt. Net income from bullion and numismatic operations can also fund Federal Government programs.

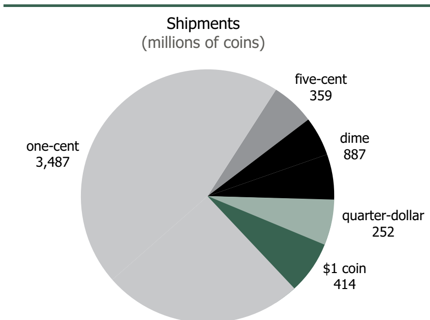




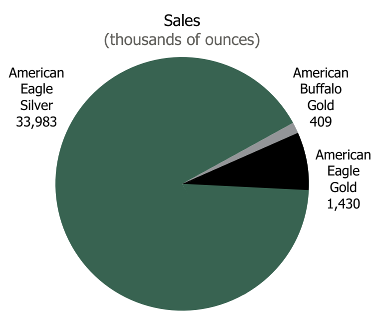


2010 PERFORMANCE

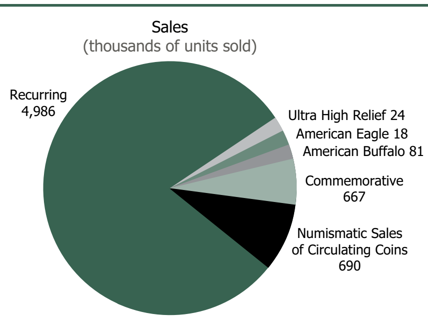
The economic environment during fiscal year (FY) 2010 significantly affected the United States Mint's financial results. Economic uncertainty tends to intensify demand for bullion products while reducing demand for circulating coinage and numismatic products. Record bullion sales drove revenue growth as both circulating and numismatic revenue declined. Total revenue neared $3.9 billion, up 33.5 percent. Because the bullion program is managed to a nominal net margin, revenue growth did not generate higher net returns. Gross cost increased 44.4 percent to nearly $3.5 billion and seigniorage and net income fell 19.1 percent to $405.8 million. Lower net returns resulted in reduced funds of $388 million available for transfer to the Treasury General Fund.



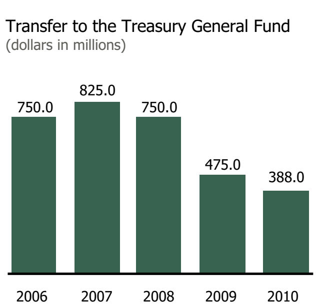
Circulating coin shipments increased 3.7 percent to 5,399 million coins in FY 2010. While the total volume grew, the composition of shipments shifted toward lower denomination coins, reducing their total value. Circulating revenue fell 20.5 percent to $618.2 million. The penny, nickel and dime made up 87.7 percent of total shipments, compared to 72.7 percent in FY 2009. Lower demand for higher denominations and higher metal prices reduced seigniorage 29.7 percent to $300.8 million.



Bullion coin demand reached historic highs in FY 2010. The United States Mint sold 35.8 million ounces of gold and silver bullion coins in FY 2010, up 8.2 million ounces (29.7 percent). The bureau sold record volume at higher prices, reflecting increased market value for gold and silver. Total bullion revenue reached a record high of $2,855.4 million in FY 2010, up $1,160.6 million (68.5 percent). Bullion net income increased 68.8 percent to $55.2 million.



FY 2010 was a challenging year for numismatic operations. The United States Mint was unable to offer key gold and silver products because blanks were dedicated to the bullion program to meet unprecedented demand. This negatively affected numismatic sales and customer acquisition and retention. Despite weakened demand, the numismatic sales shifted toward high price and high margin products. While numismatic sales revenue fell 6.1 percent to $413.1 million, numismatic net income and seigniorage increased 21.2 percent to $49.8 million.



2011 OUTLOOK

In FY 2011, we will remain focused on meeting demand for our products while making progress toward our vision. Economic uncertainty will continue to shape demand for product-lines. The United States Mint expects circulating volumes in FY 2011 to improve slightly upon those of FY 2010. Bullion coin demand is expected to remain strong until economic conditions stabilize and investors are drawn toward alternative investments. For numismatic products, we will focus on improving our customers' experience and increasing product availability.

United States Mint at Philadelphia medallic artist Phebe Hemphill touches up the plaster model of the Presidential $1 Coin design for John Tyler. Elected and appointed officials, artists and members of the public provide input for coin designs and participate on coin design committees. After a design is approved, a sculptor-engraver creates a model using traditional methods or newer digital methods. With traditional tools, the drawing is sculpted in clay and refined using plaster. The resulting three-dimensional bas-relief sculpt is then digitally scanned. Using digital methods, the relief is directly modeled using software tools. Either method produces a digital database that meets design and manufacturing guidelines.

Edmund C. Moy
United States Mint Director

TO THE AMERICAN PEOPLE, MEMBERS OF THE UNITED STATES CONGRESS, THE UNITED STATES DEPARTMENT OF THE TREASURY, OUR CUSTOMERS AND OUR EMPLOYEES:

This year we delivered on our new promise: "Connecting America through Coins." Our commemorative coins honored the Boy Scouts of America and American Veterans Disabled for Life. We finished the Lincoln Bicentennial One-Cent Coin Series with a coin recognizing the culmination of Abraham Lincoln's brilliant career, his presidency in Washington, D.C. We also began producing the new Union Shield penny.

The United States Mint launched the 12-year America the Beautiful Quarters® Program in Fiscal Year (FY) 2010 with four beautiful quarters honoring Hot Springs, Yellowstone, Yosemite and Grand Canyon National Parks. We continued the Native American $1 Coin series with "Government—the Great Tree of Peace," brought out four new Presidential $1 Coins and honored three First Spouses in the First Spouse Gold Coin Program.

We also are proud to have designed and struck two Congressional Gold Medals, one awarded to Women Air Service Pilots, better known as the WASPs, and one to former U.S. Senator Edward Brooke III.

While a coin's primary purpose is to facilitate commerce, coins also reinforce America's core values. From the great promise of our "e pluribus unum" credo beneath the banner of Liberty, each coin is a piece of our ongoing American experience, connecting us in an unbroken line to our country's—and the United States Mint's—origins in the Constitution.

FISCAL YEAR 2010 RESULTS

The state of the American economy affects each of our business lines – circulating coins, bullion and numismatics. In FY 2010, the United States Mint performed in one of the most difficult operating environments in our 218-year history. We experienced low first and second quarter demand for circulating coins and record high demand for bullion. The high volume of gold and silver blanks required to keep up with demand for bullion stymied numismatic production for most of the fiscal year. Metal costs continued to rise.

CIRCULATING Circulating coin production was at a 46-year low in early FY 2010. But by the third quarter, the Federal Reserve Bank (FRB) orders began to increase. Shipments, composed mostly of pennies and dimes, tripled from the first to the third quarters.

BULLION After record demand in FY 2009, demand went higher still in FY 2010, both in ounces sold and revenues generated. Investors bought 409,000 ounces of American Buffalo gold bullion coins, 382,000 more ounces than in FY 2009.

They bought 1.43 million ounces of American Eagle gold bullion coins in FY 2010 versus 1.39 million ounces in FY 2009, and bought nearly 34 million ounces of American Eagle silver in FY 2010, 7.8 million more than in FY 2009. Together, these increases brought bullion revenue to a record $2.86 billion. Throughout the year, the United States Mint worked to expand gold and silver blank supplies to meet demand. By September 2010, after increasing our precious metal blank acquisition from 42 million ounces to 51 million ounces, our supply exceeded demand.

NUMISMATICS Because high demand for bullion required we direct our supply of blanks to produce gold and silver bullion coins, the United States Mint was unable to produce American Eagle Silver Proof coins and other numismatic products, depressing sales, customer retention and customer satisfaction. As FY 2010 ended, we had expanded our supply of precious metal blanks and launched 2010 American Eagle Gold Proof products. American Eagle Silver Proof products went on sale at the end of 2010.

The bottom line in FY 2010 was record total revenue of $3.89 billion but a smaller operating surplus. After reserving working capital for the first quarter of FY 2011, the transfer to the Treasury General Fund was $388 million.

OTHER HIGHLIGHTS OF FY 2010

We made significant improvements in our performance in several key non-financial areas.

SAFETY Continuing the emphasis on improving the safety of our employees, the United States Mint experienced a 15-year low in illness and injuries, another record year for safety. We already had an admirable total recordable case rate of 4.10 in FY 2008 and 2.50 in FY 2009, but achieved a best in class 2.29 in FY 2010.

GREEN INITIATIVES We reduced our greenhouse gas emissions by 27 percent and began purchasing 100 percent of energy from solar and wind sources at the United States Mint at Denver. We embraced the goal of Energy Star certification for all our facilities and earned the Bronze Award in the 2010 Federal Electronics Challenge.

LABOR RELATIONS After lengthy negotiations, management and labor agreed to a new five-year labor contract. The Seventh National Agreement with the American Federation of Government Employees (AFGE) United States Mint Council represents management and labor working together for the best possible result.

2006 -2011

Because my term expires August of 2011, this is my last annual report as Director of the United States Mint. Serving a full five-year term has given me a rare opportunity to address challenges requiring long-term commitment to resolve. I hope that I have been a good steward of that opportunity. I will let time and others judge my tenure, but I want to share the accomplishments that have given me the most satisfaction and briefly list additional initiatives well on their way that will come to fruition after my term is done.

PEOPLE Our most important asset is people. When our employees consistently rate the United States Mint one of the worst places in government to work, as they have since 2003, little can be accomplished until morale improves. After meeting with every United States Mint employee on every shift at every location, I led my management team and labor representatives through a process to develop a plan to change the culture of our organization:

- Developed clear vision and mission statements, strategic goals and organizational values to be communicated and modeled to all employees;
- Aligned performance plans, metrics, budget and incentives to the vision, mission, strategic goals and values;
- Recruited new senior leaders to lead change, trained and coached employees to meet performance targets, increased accountability for performance, offered greater transparency to our stakeholders and consistently communicated organizational performance to all employees.

United States Mint Director Edmund C. Moy is pictured with senior leaders at the United States Treasury building. They are pictured under the statue of Alexander Hamilton, who served as the first Secretary of the Treasury from 1789 to 1795.

Front row, left to right: David M. Croft, Denver Plant Manager; Dennis O'Connor, Chief of Protection; Goutam Kundu, Chief Information Officer; Richard Peterson, Associate Director of Manufacturing; Ellen McCullom, West Point Plant Manager; Patrick M. McAfee, Director of $1 Coin Programs; Daniel P. Shaver, Chief Counsel; Michael Stojsavljevich, Chief Strategy Officer; Andrew D. Brunhart, Deputy Director; Cliff Northup, Director of Legislative Affairs

Second row, left to right: Eric Anderson, Executive Secretariat; Marc Landry, Philadelphia Plant Manager; Thomas Jurkowsky, Director of Public Affairs; B. B. Craig, Associate Director of Sales and Marketing; Patricia M. Greiner, Chief Financial Officer; Daniel Riordan, Associate Director of Workforce Solutions

Not pictured: Larry Eckerman, San Francisco Plant Manager

This initiative to change the culture is a 10-year journey, and the first five will be the most difficult. I am pleased that our own internal surveys, which mirror the government-wide annual survey, have recently begun to indicate improvement, including more positive responses to 27 out of 33 recurring questions. We look forward to continued improvements resulting from our culture change efforts and for those gains to be reflected in the 2011 Federal Employee Viewpoint Survey results. I am confident our employees will affirm that the United States Mint is one of the better places to work in the federal government.

PRODUCTS As a collector myself, I knew when I accepted the job of Director that the United States Mint was offering a confusing proliferation of numismatic products. I observed that there was no pipeline of interesting numismatic products on the horizon, that there had been a decline in quality of our circulating coins and that a higher standard for artistic excellence and design was needed.

- **Portfolio** – At my direction, the United States Mint eliminated more than 300 unpopular products from our portfolio of 550. This opened up production capacity to make our core products, such as annual sets, available for purchase all year round, thus appealing to non-traditional customers like special occasion gift givers.
- **Capacity** – Additional production capacity allowed us to pioneer new coins, such as the 2009 Ultra High Relief Double Eagle Gold Coin instead of relying on new ways to package and combine existing coins to boost sales.

- **Artistic Excellence** – I have articulated a vision for artistic excellence in coin and medal design. The next phase is working with all our design stakeholders to develop a comprehensive artistic excellence roadmap and begin implementation.
- **Relief** – Believing that the flattening of the obverses of the penny and quarter extended die life at the expense of beauty, we digitally re-mastered them for a more faithful execution of the original designs.
- **Quality** – We have made major investments in visual inspection systems, digital design, packaging and quality control that have significantly improved the quality of our coins. We now measure coin quality with a comprehensive suite of metrics.

CUSTOMER SERVICE AND CULTURE CHANGE During most of the past decade, declining customer service satisfaction has been the norm, and we at the United States Mint lacked the tools and passion to turn the situation around. A culture change plan has given us both. With it, we have:

- Cut order fulfillment time in half.
- Reduced call center complaints from our customers by raising performance standards for our fulfillment center.
- Launched a Facebook site and used Twitter to broaden our interaction and attract new customers.
- Sent returned products to the facility where they originated for quality analysis and corrective action.
- Increased transparency to our customers on the pricing of our products, especially precious metal.
- Solved the biggest factor negatively affecting our customer service rating by more than tripling the acquisition of precious metal planchets (especially silver), so that we could stop diverting planchets to bullion production and make popular products, like the American Eagle Silver.
- Refreshed our brand, giving the United States Mint a more customer-friendly and identifiable look on our website, packaging, advertising and annual report.

COMING ATTRACTIONS Projects already begun that will be completed after my term:

- Modernization of the visitor tour at the United States Mint at Philadelphia.
- Redesign of our two retail locations in Washington, D.C.: one at Headquarters and one at Union Station.
- Inauguration of a United States Mint and Smithsonian Institution's National Museum of American History traveling exhibition of coins.
- Total customer-friendly redesign of our retail website to debut in FY 2012.
- Streamlined, easier, faster customer service satisfaction survey.

WORKPLACE It was my aim to improve the historically significant United States Mint by connecting the good intentions of government with a business-like ability to deliver. To that end, we have:

- Developed essential management tools, like monthly profit and loss statements, balance sheets and statements of cash flow, as well as annual operational and financial performance metrics. These tools help the management team understand and track our performance, a key to accomplishing our vision to become recognized as the finest mint organization in the world.
- Established monthly management meetings to review progress toward our operational and financial performance metrics, resulting in greater accountability and improved performance.
- Improved the United States Mint workplace safety record from 4.10 incidents per 100 full-time workers in FY 2008 to 2.29 in FY 2010, creating a safer workplace for our employees.

- Improved our financial audits from qualified with material weaknesses to qualified without material weaknesses, creating greater confidence in our stakeholders.
- Replaced an antiquated cost allocation model with one that spreads overhead costs on the basis of the effort to make each coin.
- Implemented a disciplined budgeting system that holds us accountable for adhering to deadlines, resulting in greater financial accountability.
- Developed a more accurate circulating coin demand forecasting model that enables us to plan production more effectively, saving the taxpayers money.
- Negotiated a five-year labor agreement with the AFGE that is good for both management and labor, resulting in better labor-management relations.

The bottom line is the United States Mint delivers more value to the taxpayer. We are a much more nimble organization. Throughout the tumult of FY 2010, we were able to effectively manage huge swings in our circulating and bullion coin volumes. Additionally, we were able to squeeze all of 2010's numismatic production into nine months so that we could produce sufficient 2011 core products inventory to put them on sale beginning in January 2011.

THANK YOU As a young son of Chinese immigrants working in my parent's restaurant, I was fascinated with the coins in our cash register that had different designs, even though they were the same denomination. I never imagined as I began my Lincoln penny collection at the age of ten that 40 years later, I would have the privilege of being the 38th Director of the United States Mint. It is a story that is not unique in America but makes America unique in the world. To rise from young coin collector to Director and become the steward of the American institution that produces our coins – a historically important extension of our national identity – has been more meaningful to me than words can express.

I want to thank President George W. Bush for nominating me; the United States Senate for confirming me; President Barack Obama for allowing me to fulfill the balance of my term; Treasury Secretaries John Snow, Hank Paulson, and Timothy Geithner for their confidence in me; the employees of the United States Mint for their efforts, patience and support; and the United States Mint's customers for their loyalty.

Most of all, I am grateful and feel blessed to have been born an American, to have benefited from the opportunities derived from our Nation's greatness, and given the chance through public service to give back to the American people who make it all possible.

Sincerely,

Edmund C. Moy

Edmund C. Moy
Director
United States Mint

ORGANIZATIONAL PROFILE

Established in 1792, the United States Mint is the world's largest coin manufacturer. Our vision is to be recognized as the finest mint organization in the world through excellence in our people, products, customer service and workplace. The men and women of the United States Mint serve the Nation by manufacturing and distributing circulating coins, precious metals and collectible coins, and National medals to meet the needs of the United States.

The United States Mint is committed to achieving efficient operations and providing value to the American people. Since Fiscal Year (FY) 1996, the United States Mint has operated under the United States Mint's Public Enterprise Fund (PEF). As authorized by Public Law 104-52 (codified at 31 U.S.C. § 5136), the PEF enables the United States Mint to operate without 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. Money in excess of anticipated needs of the PEF is transferred to the United States Treasury General Fund.

The United States Mint operates six facilities and employs approximately 1,800 employees across the United States. Each facility performs unique functions critical to our overall operations. Manufacturing facilities in Philadelphia, Pennsylvania, and Denver, Colorado, produce coins of all denominations for circulation. Both facilities also produce dies for striking coins. All sculpting and engraving of circulating and numismatic coin and medal designs is performed in Philadelphia. Production of numismatic and bullion products is primarily performed at facilities in San Francisco, California, and West Point, New York. All four production facilities produce commemorative coins as authorized by Federal laws. The United States Bullion Depository at Fort Knox, stores and safeguards United States gold and silver bullion reserves. Administrative and oversight functions are performed at our Headquarters in Washington, D.C.

PRIMARY RESPONSIBILITIES

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

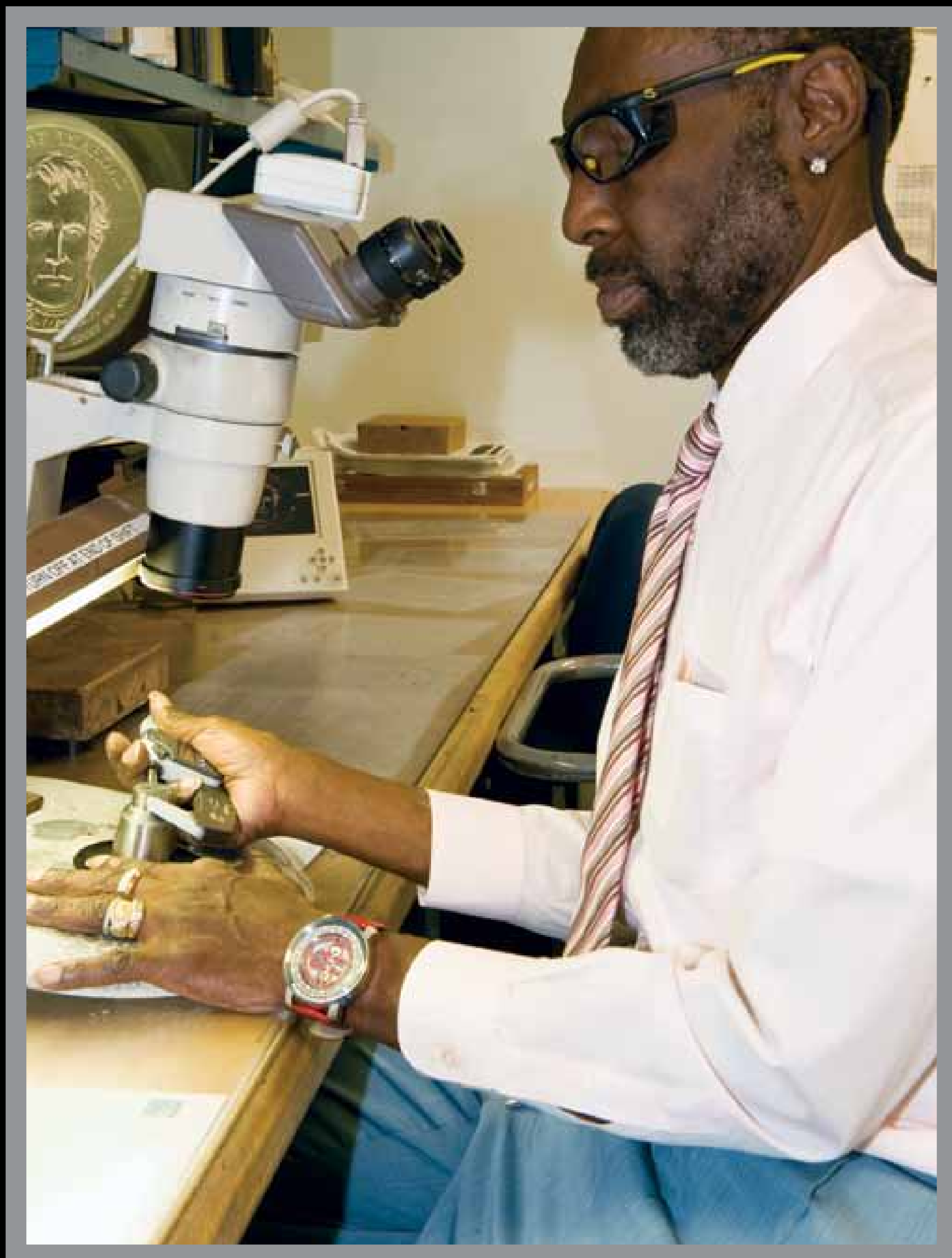
CIRCULATING The United States Mint is responsible for enabling commerce by minting and issuing circulating coins in amounts that the Secretary of the Treasury determines are necessary to meet the needs of the United States. We mint and issue circulating coins to the FRB for distribution to the Nation's financial institutions. Commercial banks and other financial institutions then place coins into circulation to meet the demand of retailers and the public. Financial institutions can return coins to the FRB when they have more than necessary to meet demand. The United States Mint issues circulating coins to the FRB at face value. The net return, known as seigniorage, is the difference between the face value and the cost of producing circulating coinage. Seigniorage is transferred to the Treasury General Fund to help finance the national debt.

BULLION The United States Mint manufactures and issues gold, silver and platinum bullion coins through a network of authorized purchasers, which include precious metal and coin dealers, brokerage companies and participating banks. Bullion coins provide investors a simple and tangible means to own coins whose weight, content and purity are guaranteed by the United States Government. Coins are available to the general public through authorized purchasers. Any net proceeds from the sales of bullion products are transferred to the Treasury General Fund to help reduce the deficit or fund current Federal Government programs or operations.

NUMISMATIC The United States Mint prepares and distributes numismatic items, including proof and uncirculated coins, coin sets, commemorative coins and medal products. These products are manufactured and specially packaged for collectors and other members of the public who desire high-quality versions of the Nation's coinage as gifts or mementos. Through commemorative coin programs passed by Congress and approved by the President, the United States officially honors people, places, and events. By law, the price of the commemorative coin includes a surcharge that is authorized to be paid to recipient organizations. Customers can purchase numismatic coin and medal products through the United States Mint website, by phone order or by mail order. Public points of sale are also available at the United States Mint facilities at Philadelphia, Denver and Washington, D.C. and a United States Mint kiosk in Union Station in Washington, D.C. The objective of the United States Mint numismatic program is to make numismatic products accessible, available and affordable to the American public. We make every effort to control costs and keep the prices of numismatic items as low as practicable. Any net proceeds from the sales of numismatic products are transferred to the Treasury General Fund to help reduce the deficit or fund current Federal Government programs or operations.

MEDALS As part of the numismatic program, the United States Mint prepares and strikes National and other medals. Congressional Gold Medals are prestigious awards authorized by Congress and approved by the President to honor specific individuals in recognition of their achievements and contributions. The Congressional Gold Medal is widely considered the highest honor the Nation can bestow. The United States Mint also strikes, and makes available for sale to the public, bronze duplicates of these medals, as well as "list" medals, which are often a part of continuing medal series, such as the Presidents of the United States and Historic Buildings of the United States.

PROTECTION The United States Mint is responsible for protecting over $320 billion in United States assets stored in our facilities. The Protection Department safeguards non-United States Mint assets in our custody, including gold and silver bullion reserves held at the United States Bullion Depository at Fort Knox, as well as United States Mint assets, such as our products, employees, facilities and equipment.



United States Mint at Philadelphia employee Gregory Hawes, who works in the Quality Control Division, checks the specifications of the dies used to mint coins. Each die must conform to all official specifications, including weight and size, placement of design and text. After the die is approved, it is sent to one of the United States Mint facilities, which will use it to mint coins.

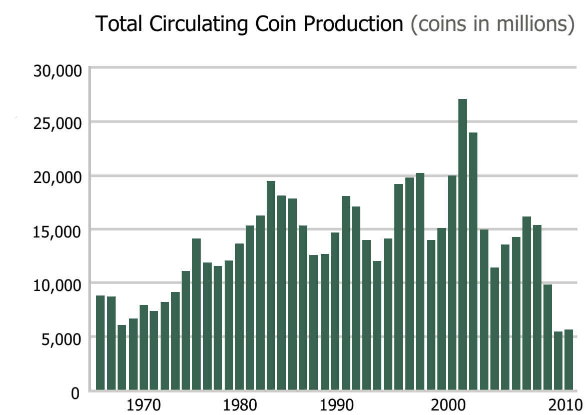
GOAL 1: EFFECTIVELY MET ALL CIRCULATING DEMAND

As the Nation's sole manufacturer of legal tender coinage, the efficient and effective production and distribution of circulation coinage used to conduct trade and commerce is the United States Mint's highest priority. This involves administering several circulating commemorative coin programs, which are mandated by law.

EFFECTIVELY MEETING DEMAND IN THE CURRENT OPERATING ENVIRONMENT

Our circulating coin production fell to a historic 46-year low during the first six months of Fiscal Year (FY) 2010. Starting in 2009, commercial banks and other financial institutions curtailed orders and returned excess coins to the Federal Reserve Banks (FRB). In response, the FRB decreased orders for newly minted coins and used accumulated coin inventory to meet demand during the first half of FY 2010. By the third quarter, the FRB had reduced its inventory and increased orders for newly minted coins. Shipments to the FRB in the second half of FY 2010 were more than triple total shipments in the first half of the fiscal year.

At the start of FY 2010, the prospect of continued low coin demand prompted the United States Mint to extend cost-saving measures begun in 2009. We opted not to renew appointments for temporary personnel and instituted an organization-wide hiring freeze. We suspended all non-essential capital investments in circulating operations to cut cash outflow during a time of reduced cash inflow.



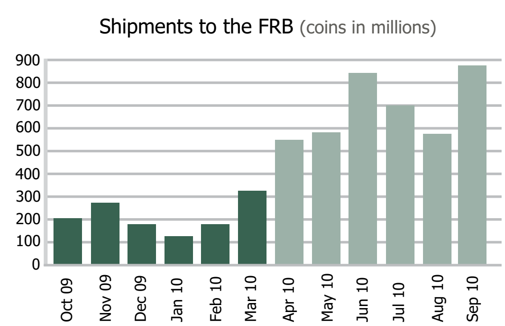
Even with these measures, the costs of coin production continued to increase because of escalating metal market prices. In FY 2010, market prices for copper, nickel and zinc climbed from five-year lows of FY 2009 to levels almost as high as those experienced in FY 2007. This increased expenses for fabricated blanks and strip for circulating coin production and raised unit costs for all denominations.

To address rising metal costs, the United States Mint continued to work with the Department of the Treasury and Congress to examine legislative options for changing the composition of circulating coinage to less expensive materials. This could reduce our production expenses and ultimately generate significant taxpayer savings without compromising the utility of coins.

PLANNING FOR THE FUTURE

Facing this challenging year of volatile production activity, the United States Mint began reevaluating future coin demand, capacity requirements and long-term efficiency.

In the spring of 2010, we conducted a comprehensive economic analysis of future coin demand and assessed the implications for equipment and labor requirements. Economic models indicated the United States Mint should have the capacity to produce nine to ten billion circulating coins annually through 2015. Accordingly, the United States Mint developed preliminary plans to resize circulating equipment capacity. We identified 32 presses we will retire and not replace starting in FY 2013. This will generate savings of approximately $32 million, spread over three years.



In the second half of this year, we rapidly adapted to the increase in demand by implementing short-term solutions, such as controlling overtime usage and utilizing temporary employees. We recognize that a long-term strategy is necessary to more effectively deal with future fluctuations in demand.

CIRCULATING COMMEMORATIVE COIN PROGRAMS

For the past few years, effectively meeting circulating demand has involved administering multiple circulating commemorative coin programs.

AMERICA THE BEAUTIFUL QUARTERS® PROGRAM Beginning in 2010 through at least 2021, the United States Mint will mint and issue commemorative quarter-dollar coins honoring national parks and other national sites, in accordance with the America's Beautiful National Parks Quarter Dollar Coin Act of 2008 (Public Law 110-456). This program honors national parks and sites in the order in which they were first established. Similar to the issuance of coins under the 50 State Quarters Program, quarter-dollar coins featuring five different coin designs will be issued each calendar year of this program.

In FY 2010, we issued the first four quarters in the America the Beautiful Quarters Program, honoring Hot Springs National Park (Arkansas), Yellowstone National Park (Wyoming), Yosemite National Park (California) and Grand Canyon National Park (Arizona). The United States Mint issued 172.9 million America the Beautiful quarters for circulation in FY 2010, which generated $43.5 million in revenue and $21.4 million in seigniorage.

$1 COIN PROGRAMS The United States Mint continued America's tribute to the Nation's Presidents in FY 2010, issuing four Presidential $1 Coins featuring Presidents Zachary Taylor, Millard Fillmore, Franklin Pierce and James Buchanan. We also issued the 2010 Native American $1 Coin with a reverse design commemorating the Haudenosaunee (People of the Longhouse) Confederation, also known as the Iroquois Confederacy. This confederacy, created before the Revolutionary War, was one of the most famous and powerful Native American leagues.

The Presidential $1 Coin Act of 2005 mandates the United States Mint identify, analyze and overcome barriers to the robust circulation of $1 coins. Likewise, the Native American $1 Coin Act of 2007 requires the United States Mint to carry out an aggressive, cost-effective, continuous campaign to encourage commercial enterprises to accept and dispense Native American $1 Coins. Promoting circulation of $1 coins offers potential savings for the American taxpayer but continues to be a challenge for the United States Mint. This year, we successfully partnered with Walt Disney World Resorts on a pilot program in Florida, Whole Foods Markets in North Carolina and the Army and Air Force Exchange Service (AAFES) stores at four military bases, to promote usage of the coin.

Direct Ship We continued the Circulating $1 Coin Direct Ship Program throughout FY 2010. Initiated in June 2008, the Direct Ship Program provides $1 coins for sale directly to banks, small retailers, and the public in smaller volumes than available through traditional FRB distribution. In FY 2010, we distributed 90.7 million $1 coins (56.9 million Native American $1 coins and 33.8 million Presidential $1 Coins) through the Direct Ship Program, up 6.5 percent from 85.2 million $1 coins distributed in FY 2009.

Bulk Ship The United States Mint initiated a Bulk Ship Program in August 2009 to offer another way for interested customers to order $1 coins in larger quantities. This program provides banks and larger retailers the opportunity to purchase a minimum of $140,000 in $1 coins directly from the United States Mint. In FY 2010, the first full fiscal year of the program, we shipped 3.4 million $1 coins (1.6 million Native American $1 Coins and 1.8 million Presidential $1 Coins) through the Bulk Ship Program.

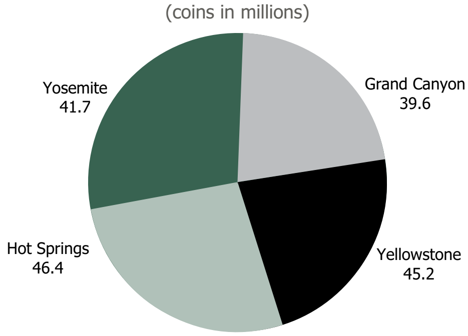
2009 DISTRICT OF COLUMBIA AND U.S. TERRITORIES QUARTERS PROGRAM In December 2009, the United States Mint concluded the 2009 District of Columbia and U.S. Territories Quarters Program, a one-year initiative honoring the District of Columbia and the five U.S. territories. In FY 2009, we minted and issued the first five coins to honor the District of Columbia, the Commonwealth of Puerto Rico, Guam, American Samoa and the United States Virgin Islands. We issued the final coin honoring the Commonwealth of the Northern Mariana Islands in FY 2010.

Through the 2009 District of Columbia and U.S. Territories Quarters Program, the United States Mint issued 511.6 million quarters for circulation (432.5 million in FY 2009 and 79.1 million in FY 2010). This generated a total of $127.9 million in revenue and $57.2 million in seigniorage.

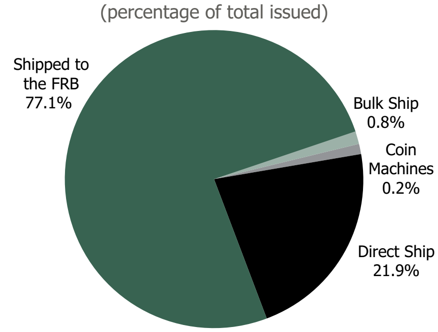
2009 LINCOLN BICENTENNIAL ONE-CENT COIN PROGRAM In November 2009, we issued the final of four one-cent coins honoring the bicentennial of President Lincoln's birth and the 100th anniversary of the first issuance of the Lincoln penny. Each reverse design represents a major aspect of President Lincoln's life. The final coin honored Lincoln's Presidency in Washington, D.C. The United States Mint issued a total of 2.2 billion Lincoln Bicentennial One-Cent Coins for circulation (1.9 billion in FY 2009 and 0.3 billion in FY 2010), generating $22.5 million in revenue.

Upon conclusion of the 2009 program, the United States Mint began production of a new penny, released in February 2010. This new one-cent coin will circulate from this year forward, replacing the penny with the Lincoln Memorial on the reverse. As specified by the Presidential $1 Coin Act of 2005, the reverse design of the 2010 one-cent coin bears an image emblematic of President Lincoln's preservation of the United States as a single and united country. The reverse features a union shield, a National symbol that dates back to the 1780s. The United States Mint issued 3.0 billion one-cent coins bearing the new design in FY 2010, generating $30.3 million in revenue.

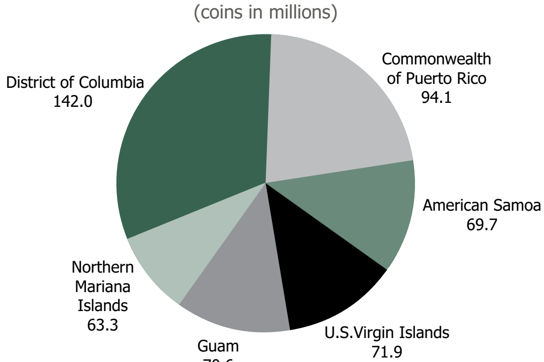
America the Beautiful Quarter Shipments by Design
(coins in millions)



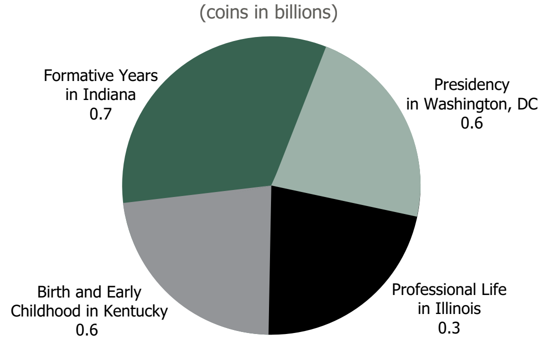
$1 Coins Issued to Circulation by Channel
(percentage of total issued)



District of Columbia and U.S. Territories Quarter Shipments by Design
(coins in millions)



Lincoln Bicentennial One-Cent Coin Shipments by Design
(coins in billions)



United States Mint at Denver employee Vince Varela is attaching a coin coil on an uncoiler, which feeds metal strip into a blanking press. Most U.S. coin production starts with the arrival of coils (rolled-up strips of flat metal). Coils are about a foot wide, 1,500 feet long, and about as thick as the final coin thickness. Each coil weighs close to 6,000 pounds. A coil is hoisted onto a wheel that feeds into a blanking press, which punches out round, plain-surfaced disks. Each blank is cut larger than the final coin size to allow for the formation of the rim, but the blank's weight is the same as the final coin weight.

GOAL 2: EFFECTIVELY MANAGED BULLION AND NUMISMATIC PROGRAMS

The United States Mint provides bullion coins, collectible coins and National medals through our bullion and numismatic programs. Most of our coin and medal programs are authorized by specific laws. Each program serves a different overall purpose as designated by its authorizing legislation. We continually strive for efficient coin manufacturing and sales operations. Greater efficiency benefits the American public as a whole, as well as our specific customers.

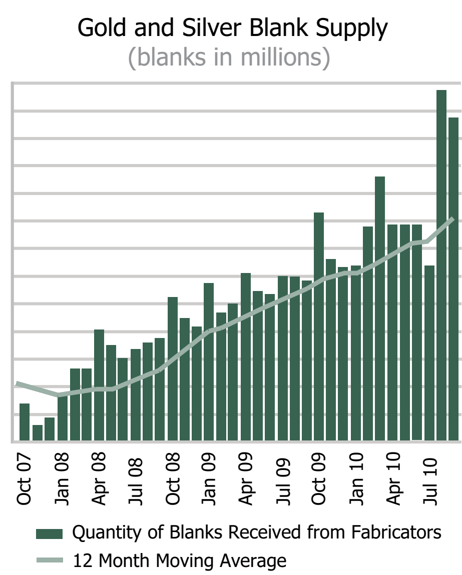
To effectively manage bullion and numismatic programs, the United States Mint must efficiently utilize our people, equipment and other assets to manufacture and provide coin products in the quality and quantity the American public demands. This often requires allocating available resources between and within bullion and numismatic programs. Supply chains for programs and products often overlap. This can hinder our ability to effectively meet demand for all bullion and numismatic products in desired quantities. We prioritize resource allocation based on statutory requirements.

EFFECTIVELY MANAGING THE BULLION PROGRAM

The United States Mint's bullion program provides consumers a simple and tangible means to acquire precious metal coins from authorized dealers as part of an investment portfolio. Investors purchase bullion coins for their intrinsic metal value and the United States Government's guarantee of each coin's metal weight, content and purity.

Bullion demand reached historic highs in terms of ounces sold and revenues generated in FY 2010. The United States Mint procures precious metal blanks from suppliers to be stamped into bullion coins at the United States Mint at West Point. Unprecedented volumes began stressing our suppliers and bullion production capacity in FY 2009. We diverted all precious metal planchets to legislatively mandated bullion coin production. However, we were forced to set standard allocation and ordering limits so that these products were equitably distributed among authorized purchasers. Throughout FY 2010, the United States Mint undertook significant efforts to expand raw materials supply and enhance productivity to meet escalating demand.

EXPANDING BULLION RAW MATERIALS SUPPLY The United States Mint worked extensively with our fabricators to increase the quantity of precious metal blanks they supplied us in FY 2010. We revised delivery schedules to provide raw material gold and silver to fabricators at the quantity and frequency that best fit their production schedules. Level loading material allowed fabricators to more efficiently use resources and increase productivity. We identified a new silver blank fabricator that began delivering blanks in late FY 2010 and continued to pursue additional suppliers. As a result of these efforts, vendors increased the average monthly supply of all gold and silver blanks by 1.5 million ounces (56 percent) from 2.6 million ounces in FY 2009 to 4.1 million ounces in FY 2010.



ENHANCED BULLION PRODUCTIVITY The United States Mint West Point realized higher output without incurring significant costs in FY 2010 through several productivity and efficiency enhancements. We automated coin encapsulation and packaging processes, which increased throughput and reduced labor requirements. Through the United States Mint's on-the-job training program, the workforce at the United States Mint at West Point improved skills to handle more areas of responsibility. This enabled the facility to readily move employees where they were needed. The United States Mint also coordinated with fabricators to increase and level load blank deliveries. This allowed our West Point facility to maintain continuous assaying, inspection and coin production. These efforts significantly improved productivity. Output increased 23 percent from 175 ounces per labor hour in FY 2009 to 215 ounces per labor hour in FY 2010.

MEETING BULLION DEMAND Through expanded supply and enhanced productivity, the United States Mint achieved record bullion production volumes necessary to fulfill demand for gold bullion coins. As demand remained strong, we removed order limits and fully satisfied demand for all 2010 American Eagle gold bullion products through the close of FY 2010.

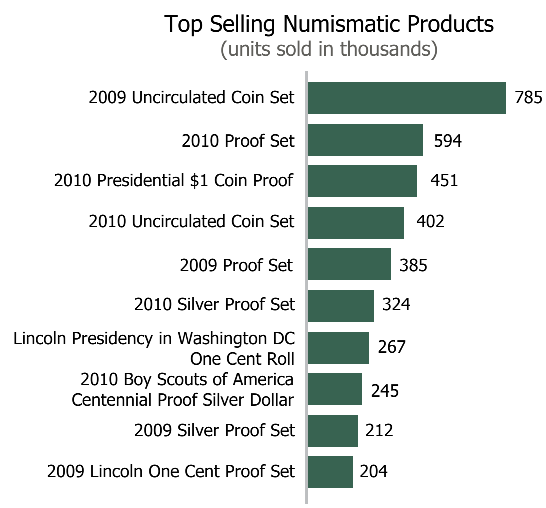
The United States Mint maintained standard allocation and ordering limits on American Eagle silver one-ounce bullion coins through most of FY 2010. By August 2010, we had sufficiently expanded supply to remove order limits and fully satisfy demand for silver bullion coins.

EFFECTIVELY MANAGING THE NUMISMATIC PROGRAM

Our numismatic program provides collectors and other members of the public high-quality versions of the Nation's coinage. Numismatic consumers select products for their aesthetic, historic, nationalist, educational, resale or other collectable value as well as their intrinsic metal value.

FY 2010 was a challenging year for our numismatic operations. The popularity of bullion products stretched our resources as we tried to keep up with demand. Because the United States Mint must first meet demand for bullion coins, the supply of numismatic products that require the same blanks suffered. The United States Mint was unable to offer some key products, such as the American Eagle Silver Proof Coin, in FY 2010 because blanks were diverted to bullion coin production. This negatively affected numismatic sales as well as customer retention and satisfaction. The slow pace of the economic recovery also likely curtailed sales as some customers refrained from purchasing collectibles and other non-essential goods.

NUMISMATIC PRODUCT AVAILABILITY Survey results indicate that customer satisfaction declined largely because numismatic versions of American Eagle products were unavailable. We addressed product availability by expanding precious metal blank supply. By the close of FY 2010, expanded supply was sufficient to meet bullion demand and redirect a portion of both gold and silver blanks for numismatic product production. We launched 2010 American Eagle Gold Proof Coin products in October 2010 and the 2010 American Eagle Silver Proof Coin in November 2010. Releasing these popular products should boost sales and improve customer satisfaction in FY 2011.



At the close of FY 2010, our manufacturing facilities began gearing up to provide our most popular numismatic products earlier in the 2011 calendar year. We will release the 2011 United States Mint annual sets in January 2011. This is the first time these core products will be available for sale so early in the calendar year. Our customers often purchase products because of the significance of the year minted on each coin or medal. Making products available in January ensures customers can obtain them throughout the calendar year to commemorate anniversaries, birthdays, reunions and other important occassions. We expect this initiative to improve sales and customer satisfaction in FY 2011.

THE NUMISMATIC CUSTOMER EXPERIENCE To improve our current customers' experience, we cut the amount of time it takes to fill an order in half. We also raised our call center performance standards and redesigned both catalog and public information web pages to make them easier to use. We will continue to modernize our processes so ordering products and tracking delivery are easy, efficient and seamless, making us consistent with prominent consumer-oriented retailers.

As the America the Beautiful quarters debuted in the spring of 2010, we launched a specialized Website dedicated to the program. The America the Beautiful Quarters Program Website enhances customer online experience by providing more extensive information about the individual coins and products and the national parks and historic sites they commemorate.

The United States Mint is also modernizing customer relations by communicating to people in diverse ways. We launched Facebook and Twitter sites in July 2010 to broaden customer interaction. We are using new media principally to disseminate product and organizational information to current and potential numismatic customers, as well as to obtain direct customer feedback. By the close of FY 2010, we recorded 5,010 "likes" on Facebook and had 893 followers on Twitter.

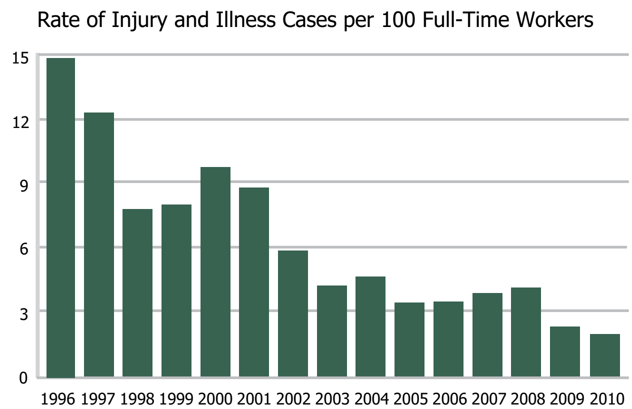
As we look toward the future, we anticipate modernizing our customer interaction to improve their experience and our efficiency. The United States Mint, first and foremost, exists to meet circulating coin demand, but numismatic programs are an important part of how we accomplish our promise of Connecting America through Coins. As we improve our numismatic program, we expect to better meet customer expectations and demand.

GOAL 3: A SAFE, ENGAGED, PRODUCTIVE AND VALUED WORKFORCE

The United States Mint endeavors to sustain a well-trained and committed workforce, making it the employer of choice for current and future employees.

A SAFE WORKFORCE

The United States Mint experienced another record safety year in FY 2010, reducing the incidents of injuries and illness below last year's 14-year low. Our total recordable case rate fell to 2.29 recordable injuries and illness per 100 full-time workers, the lowest rate since we began reporting the figure in FY 1996. We also significantly reduced the number of work-related injuries or illnesses resulting in lost workdays. Lost time accidents fell to 11 in FY 2010 from 13 in FY 2009.



For the past two years, ensuring employee safety has been a priority at the United States Mint. We developed several programs and policies to protect workers and make the workplace environment, as well as common work practices, safer. In FY 2010, our executives continued meeting monthly to discuss injury and illness rates, any incidents and corrective actions. These efforts included discussing initiatives to reduce risk and prevent future incidents.

Many of our facilities are housed in historic, aging structures. In FY 2010, we conducted safety audits at each facility to identify potential issues. In response to findings, we made physical improvements at all of our production facilities. These improvements included renovations and restorations, fire suppression, life-safety upgrades and ergonomic changes.

The United States Mint Police protect both our physical assets, such as coinage and equipment, as well as our employees. The force receives regular training and participates in national-level exercises when appropriate. This year, the United States Mint Police and Information Technology teams coordinated the bureau's participation in a national-level Continuity of Operations (COOP) exercise. Additionally, we are implementing a modern security management system that will link all United States Mint facilities and enable us to monitor access control and alarms from one central location.

AN ENGAGED AND PRODUCTIVE WORKFORCE

The United States Mint is taking a proactive stance to cultivate an engaged and productive workforce now and into the future. We created the Manufacturer Certification and Apprenticeship Program (MCAP), a structured training program to maintain the high level of skill and competency required to manufacture coins and dies. MCAP improves workforce flexibility by providing training and development for employees who want to acquire the experience, knowledge and skills necessary to perform each step of the coin and die manufacturing process. Developing a cross-trained workforce that understands multiple manufacturing functions provides the United States Mint flexibility necessary to accommodate changing production demands. It ensures that we maintain a workforce equipped to perform mission-critical manufacturing occupations. MCAP also provides upward mobility opportunities for our employees and is a registered apprenticeship program with the Department of Labor. Offering MCAP along with other opportunities helped the United States Mint to jump from 203 of 216 in 2009 to 159 of 223 in 2010 in the Work Training and Development category of the Best Places to Work in the Federal Government rankings.

To foster excellence in all our employees, the United States Mint is developing an organization-wide Employee Development Program (EDP). EDP aims to strengthen core organizational skills and competencies that support job performance. The program is expected to be available for employees in 2011. It will provide multiple levels of training in key organizational subjects. We are designing EDP courses to address our employees' requests for cross-functional training and self-development opportunities. Establishing and promoting programs that engage employees and improve skills is vital to ensuring we meet our mission through excellence in our people.

A VALUED WORKFORCE

Employee satisfaction is critical for us to perform our mission and achieve our vision. Recent external and internal surveys indicate our employees perceive significant deficiencies in the United States Mint's work environment and leadership.

The United States Office of Personnel Management (OPM) administers an annual Federal Employee Viewpoint Survey (EVS) to randomly selected, full-time, permanent employees of the Federal Government. The survey measures employees' perceptions regarding how effectively their agency manages its workforce. EVS results are used to develop the Best Places to Work in the Federal Government rankings. In the 2010 EVS, United States Mint employee positive response rates improved in 42 out of 58 recurring questions. Responses indicated that we are on the right track in many key areas, such as work life balance and training and development. Much remains to be done in other areas. Employee survey responses indicate that employees feel they are not meaningfully recognized for their work performance and their leaders do not generate high levels of motivation and commitment. To better understand these recent results, in FY 2010, we asked employees to specify the top issues that concern them. Across the organization, our employees identified two issues as critical: communication and recognition. We see these issues and overall declines in employee satisfaction as symptomatic of the culture that has evolved throughout the United States Mint in recent years. Accordingly, the best way to improve employee satisfaction is to change the overall culture through our leadership and organizational excellence efforts.

GOAL 4: LEADERSHIP AND ORGANIZATIONAL EXCELLENCE

The United States Mint strives to maintain public trust and confidence through exemplary leadership, a high-performing culture and best-in-class practices. Developing unified, committed leaders with the requisite skills and experience to guide and engage our workforce is a top priority for the United States Mint. To us, organizational excellence does not just mean creating coinage; it requires we engage modern technologies and become more environmentally sustainable so that we benefit the American public with a well-managed operation.

IMPLEMENTING CULTURAL CHANGE

In FY 2010, we continued to concentrate on changing the culture at the United States Mint. It had become increasingly apparent that our common practices, habits and mindset were inhibiting, rather than supporting, effective operations. Survey results and feedback indicated that employees were increasingly dissatisfied with the quality of leadership, their involvement in decisions that affect their work and the recognition they received for that work. Unsatisfied and disengaged employees have little interest, willingness or ability to contribute to organizational success.

We determined the best way to counter this is to create a performance, results-based, learning culture. We began implementing cultural change in FY 2009 by developing initiatives to close gaps between our current and desired states. We trained all supervisors to develop specific and measureable goals and better communicate to employees what was needed to achieve these goals. In FY 2010, supervisors and employees tracked progress towards these goals to improve organizational performance. This lay the foundation for further improvements in communication and leadership that we implemented throughout FY 2010.

Effective, two-way communication is critical to our desired culture. Communication has often posed a problem at the United States Mint with employees dispersed in six facilities throughout the United States. We initiated a multi-pronged approach to improve internal communications and provide employees first-hand information on all aspects of our business. We enhanced traditional top-down communications, such as the "InfoMint," a monthly internal newsletter. Our Public Affairs Office expanded the newsletter to include content from all six sites and information about the United States Mint history. Our Deputy Director initiated a monthly communication to all employees highlighting the key events and successes of each department.

We also focused on ensuring employees had opportunities to share their opinions and operational questions with leadership. The Director and Deputy Director attend town halls, quarterly organization-wide meetings which are video-conferenced to all locations, and visit all United States Mint locations to give workers a chance to talk to them in person. The Director also has brown bag lunches with randomly selected employees when he visits each site to discuss issues and offer candid feedback. Another source of information is "Talkin' Change," a forum that shares answers to virtually all questions submitted anonymously by employees on any topic of concern or interest. Internal employee surveys indicate that our efforts are starting to have an effect. The portion of employees who felt senior management effectively communicates what the organization is trying to accomplish jumped from 46 percent in FY 2009 to 58 percent in FY 2010.

Another important element of our desired culture is for employees to understand their individual role in the United States Mint's success. Our employees want to understand how their job fits into the organization's vision, mission and goals and how they can help the bureau succeed. Our executives have developed a clear vision of the United States Mint's future and communicated it to all employees. Specific and measurable performance commitments that tie to the overall goals will cascade through the organization. Regular performance/development sessions between supervisors and employees at all levels of the United States Mint facilitate the critical conversations necessary for progress and development. In FY 2010, 62 percent of employees felt discussions with their immediate supervisor about their performance were worthwhile, up from 56 percent last year.

Leadership will reinforce the desired culture through ensuring consistent policies, communicating expectations, and leading by example. To improve leadership, the United States Mint created the Leadership Development Program (LDP), a competency-based training and development program for supervisors, managers and executives. LDP is designed to provide our leaders with the knowledge, skills and abilities they need to effectively guide and motivate employees. We are seeing gradual improvement in relationships between employees and immediate supervisors. In FY 2010, 62 percent of employees had trust and confidence in their immediate supervisor, up from 60 percent in FY 2009.

EXCELLENCE IN INFORMATION TECHNOLOGY

In February 2010, the Department of the Treasury launched "One Treasury" Information Technology (IT) Services, a multi-year initiative to implement uniform best-in-class IT services and facilitate information sharing across the Department.

The United States Mint's overall multi-year IT strategy tightly aligns with "One Treasury" IT Services. In early 2010, we conducted a comprehensive assessment of current and future business and IT needs. To bridge the gaps between what we currently have and what we need for achieving our new vision, we developed a five-year IT Roadmap to transition our environment from disparate technologies and silo applications to a single Enterprise Resource Planning (ERP) system. The ERP solution will simplify the IT environment, eliminate redundant applications and integrate all necessary business modules into one system. The assessment also identified many immediate improvements that, once implemented, made the IT infrastructure more efficient and more stable throughout the rest of the year.

EXCELLENCE IN SUSTAINABILITY

When President Barack Obama signed an Executive Order on Federal Leadership in Environmental, Energy and Economic Performance in October 2009, he committed the Federal Government to lead by example and help build a clean energy economy through our operations. Across the Federal Government, agencies are looking for ways to reduce their carbon footprint and advance sustainability much the same way individual Americans and businesses are.

Producing circulating, investment and collector coins and medals is an energy-intensive process. This year we conducted comprehensive energy audits of all facilities, undertook energy reduction projects and used more renewable energy when possible. We sought Leadership in Energy and Environmental Design (LEED) and Energy Star certification for properties where feasible. Both LEED and Energy Star are internationally recognized certification systems that provide third-party verification that a building is maximizing operational efficiency while minimizing environmental impacts.

We were awarded the Bronze Award in the 2010 Federal Electronics Challenge, a partnership program that encourages Federal facilities to purchase greener electronic products, reduce the impact of electronic products during use and manage obsolete electronics in an environmentally safe way. The United States Mint was awarded for implementing IT procurement practices that ensure our purchases meet "green" standards and ensure we do not waste or duplicate equipment.

In the United States Mint Headquarters building in Washington, D.C., our goal is to obtain Energy Star Certification through various changes. We replaced light switches with motion sensors, installed automatic towel dispensers which halved paper towel usage and began using recycled paper products and environmentally friendly cleaning products. A small percentage of our energy at the Headquarters building comes from renewable resources. However, by adding weather stripping, insulation and energy efficient light bulbs, we have saved money and reduced our carbon footprint.

In the Denver and Philadelphia facilities, we plan to convert from purchased steam for heating to capturing and recycling steam generated on-site. Our West Point facility is in the process of becoming LEED certified, and our Denver facility now purchases 100 percent of its energy from sustainable solar or wind, rather than fossil fuel, sources. Through these changes, we have reduced our total greenhouse gas emissions by approximately 27 percent.

While cost savings are not guaranteed in the short-term, these "Green" initiatives are long-term solutions for minimizing the United States Mint's carbon footprint. We have made good progress and will improve and expand on sustainable initiatives as appropriate in the future.

Patricia M. Greiner
United States Mint Chief Financial Officer

MANAGEMENT'S DISCUSSION AND ANALYSIS

Message from the Chief Financial Officer:

I am pleased to present the United States Mint's financial statements as an integral part of the Fiscal Year (FY) 2010 Annual Report. As an organization, our priority is to report accurate financial data while objectively and consistently executing our fiscal responsibilities. For FY 2010, our independent auditors rendered an unqualified opinion. The United States Mint remains committed to accountability and integrity in our financial and management responsibilities.

The United States Mint again faced a challenging environment in FY 2010. As a result of the economic environment, the cash generated from the operation of the United States Mint Public Enterprise Fund remained near FY 2009 levels but down from prior years. We transferred $388 million to the Treasury General Fund this year, about 18 percent less than our FY 2009 transfer.

Shipments of circulating coin to the Federal Reserve Banks (FRB) increased slightly from last year. However, the composition of total shipments shifted to lower denominations, generating less revenue and seigniorage from circulating operations. Sales of bullion coins soared beyond last year's record high. We continued efforts to enlarge precious metal blanks supply to meet escalating bullion coin demand. The United States Mint expanded bullion sales from last year's record of 27.6 million ounces to 35.8 million ounces in FY 2010. We fully satisfied investor demand for American Eagle gold bullion coins and sufficiently expanded silver blank supply to remove order limits on American Eagle silver bullion coins in August 2010. By the close of FY 2010, we had redirected a portion of gold and silver blanks to resume production of the numismatic versions of these coins for release in late 2010.

As Chief Financial Officer, I have taken a lead in reinforcing fiscal discipline at the United States Mint. In 2009, President Obama charged the Federal Government with saving $40 billion annually by FY 2011 by terminating unnecessary contracts and strengthening acquisition management. The Office of Management and Budget, in turn, tasked departments and agencies with achieving a 3.5 percent reduction in acquisition expenses in FY 2010 from a FY 2008 baseline. We responded with an acquisition improvement plan that consolidated or renegotiated existing contracts, expanded competition for new contracts and achieved over $47 million in procurement savings, a 22 percent reduction from our baseline.

In recent years, we have also implemented zero-based budgeting, prioritized capital project spending and instituted formal processes to scrutinize discretionary budget items. These initiatives ensure we make efficient use of resources and enabled us to generate more revenue and output in FY 2010 while holding non-metal operating expenditures relatively constant from last fiscal year.

In FY 2010, the United States Mint developed a new method for allocating sales, general and administrative (SG&A) costs to our products. The new accounting methodology will go into effect in FY 2011 and is in line with industry best practices. It allocates costs so that every product we make carries the appropriate amount of SG&A relative to the effort to manufacture, market and distribute it. Having accurate information that captures cost data more fully and accurately is essential for properly reporting financial statements, as well as monitoring the costs of producing circulating coins and numismatic and bullion products.

Strong financial management and internal controls are the foundation of an efficient and effective organization. In FY 2010, the United States Mint conducted a comprehensive assessment of the effectiveness of internal controls over financial reporting. Based on the results, we can provide unqualified assurance that internal controls over financial reporting are operating effectively. For the second year in a row, the United States Mint did not identify any material weaknesses.

We periodically review internal controls throughout the United States Mint to ensure we are making continuous improvements wherever possible. In FY 2010, we enhanced the process for sealing the vaults where we hold gold and silver assets. We instituted improved tamperproof seals to further strengthen internal controls over our custodial gold and silver holdings.

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

We close FY 2010 continuing to provide the American people high-quality products and good financial results given our current operating environment. We are committed to presenting our results in a complete and understandable manner to our stakeholders, the American public. We hope you find our annual report useful and transparent. We look forward to maintaining our 218 year-old tradition of service to the American public and our collectors in FY 2011.

Sincerely,

Patricia M. Greiner

Patricia M. Greiner
Chief Financial Officer

CIRCULATING COINAGE

Circulating coins are shipped to the Federal Reserve Banks (FRB) as needed to replenish inventory and fulfill commercial demand. Revenue from the sale of circulating coins is recognized at face value when coins are shipped. Earned revenue equals the gross costs incurred to make and distribute coins. Seigniorage is the difference between the face value and the gross costs of coins shipped. Seigniorage adds to the Federal Government's cash balance, but unlike the payment of taxes or other receipts, seigniorage does not involve a transfer of financial assets from the public. Instead, it arises from the exercise of the Federal Government's sovereign power to create money and the public's desire to hold financial assets in the form of coins. The President's Budget excludes seigniorage from receipts and treats it as a means of financing the national debt.

FY 2010 RESULTS

Total circulating coins shipped to the FRB increased 3.7 percent to 5,399 million pieces in Fiscal Year (FY) 2010 from 5,207 million pieces in FY 2009. While the total volume grew, the composition of shipments shifted toward lower denomination coins, reducing the total value. The total dollar value of circulating shipments to the FRB fell 20.5 percent to $618.2 million from $777.6 million last year. Weak economic conditions that reduced shipments and revenue in FY 2009 continued through the first half of FY 2010. This reversed midway through the fiscal year as retail activity recovered and FRB coin inventory fell. Shipments to the FRB in the second half of FY 2010 were three times those in the first half of the fiscal year.

Demand for newly minted coins strengthened for the lowest denominations but lagged for the higher denominations. FRB orders for lower denominations jumped in the second half of FY 2010 as accumulated inventory was no longer sufficient to enable commerce. Shipments of one-cent and five-cent coins increased 8.4 percent and 73.4 percent, respectively, in FY 2010 from FY 2009. Dime shipments more than doubled, increasing 147.8 percent over the same time period.

While declining from FY 2009 levels, FRB inventory of quarter-dollar coins remained more than sufficient to enable cash transactions. Accordingly, shipments of newly minted quarters served primarily to fulfill collector demand for the America the Beautiful Quarters® Coins. Shipments of quarters fell 73.9 percent to 252 million in FY 2010 from 965 million in FY 2009. Quarter shipments are expected to remain low until FRB inventory of the coins is depleted to levels that better reflect its requirements.

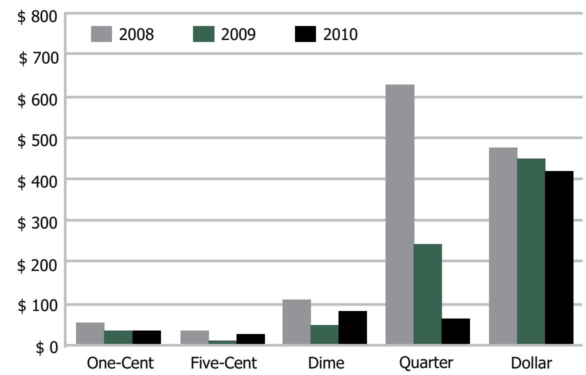
Shipments of $1 coins declined 9.8 percent to 414 million in FY 2010 from 459 million last year. Shipments were augmented by the Circulating $1 Coin Direct Ship Program, which contributed 21.9 percent of total $1 coin shipments, compared to 18.6 percent in FY 2009. The $1 coin alone made up 66.9 percent of the total value of coins shipped to the FRB, compared to 58.9 percent last year.

CIRCULATING (dollars in millions except seigniorage per $1 issued)

	2010	2009	2008	2007	2006	% Change 2009 to 2010
Value of Shipments	$ 618.2	$ 777.6	$ 1,294.5	$ 1,727.8	$ 1,271.9	(20.5%)
Gross Cost	$ 317.4	$ 349.8	$ 588.3	$ 722.6	$ 603.4	(9.3%)
Cost of Goods Sold	$ 239.2	$ 251.7	$ 491.3	$ 629.1	$ 508.8	(5.0%)
Sales, General & Administrative	$ 78.2	$ 98.1	$ 97.0	$ 93.5	$ 94.6	(20.3%)
Seigniorage	$ 300.8	$ 427.8	$ 706.2	$ 1,005.2	$ 668.5	(29.7%)
Seigniorage per $1 Issued	$ 0.49	$ 0.55	$ 0.55	$ 0.58	$ 0.53	

The shift in demand toward lower denominations in FY 2010 reduced both the gross cost and seigniorage from circulating operations. Circulating gross costs fell to $317.4 million in FY 2010 from $349.8 million in FY 2009. Circulating cost of goods sold (COGS) fell 5.0 percent to $239.2 million in FY 2010 from $251.7 million in FY 2009. However, COGS made up a larger portion of the total value of shipments because of increased metal expenses. Market prices of copper, nickel and zinc recovered from FY 2009 lows and climbed back to prior fiscal year levels. The average daily spot price for copper and zinc increased 56.9 percent and 52.4 percent, respectively, from FY 2009 to FY 2010. The average daily spot price for nickel rose 55.8 percent over the same time period. Selling, general and administrative expenses (SG&A) declined from $98.1 million in FY 2009 to $78.2 million in FY 2010, reflecting reduced expenses to promote $1 coin circulation. While falling $19.9 million from FY 2009, SG&A expenses made up the same portion of total value of shipments in FY 2010 because both declined at a similar rate (about 20 percent) from FY 2009.

Value of Shipments by Denomination (dollars in millions)



Seigniorage declined 29.7 percent to $300.8 million in FY 2010 from $427.8 million last year. Strong relative demand for the penny and nickel coins reduced the return from circulating operations because these denominations are made at a loss. The $1 coin generated the majority, approximately 94.0 percent, of total seigniorage in FY 2010. The increased COGS relative to the total value of shipments pulled seigniorage per dollar issued down to $0.49 in FY 2010 from $0.55 in FY 2009.

CIRCULATING UNIT COSTS

Per-unit metal costs increased in FY 2010, driving up the total unit cost of all denominations from last year. The nickel per-unit metal and fabrication cost rose 2.3 cents from FY 2009, increasing the nickel total unit cost 52.9 percent to 9.2 cents in FY 2010. Higher per-unit metal and fabrication costs also drove up total unit costs for the quarter and $1 coin. Slight increases in per-unit SG&A costs contributed to higher total unit costs for the dime, quarter and $1 coin.

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

The unit cost for both penny and nickel denominations remained above face value for the fifth consecutive fiscal year. Higher unit cost and demand for the five-cent coin increased the overall loss the United States Mint incurred from producing these denominations in FY 2010. Penny and nickel coins were produced at a loss of $42.6 million, nearly double the FY 2009 loss of $22.0 million.

Base metal expenses continue to make up the largest portion of circulating production cost, eroding seigniorage derived from circulating operations. Toward the end of FY 2009, market prices for copper, nickel and zinc all started to increase to FY 2007 levels. Changing the composition of coins to less expensive alternative materials could generate significant cost savings and mitigate further reductions in seigniorage should metal market prices escalate. The Secretary of the Treasury currently has authority to select the composition of the $1 coin, as well as alter the percentage of copper and zinc in the one-cent coin. The compositions of five-cent, dime, quarter-dollar and half-dollar coins are codified by statute. Any authority to change the composition of these denominations requires a statutory amendment.

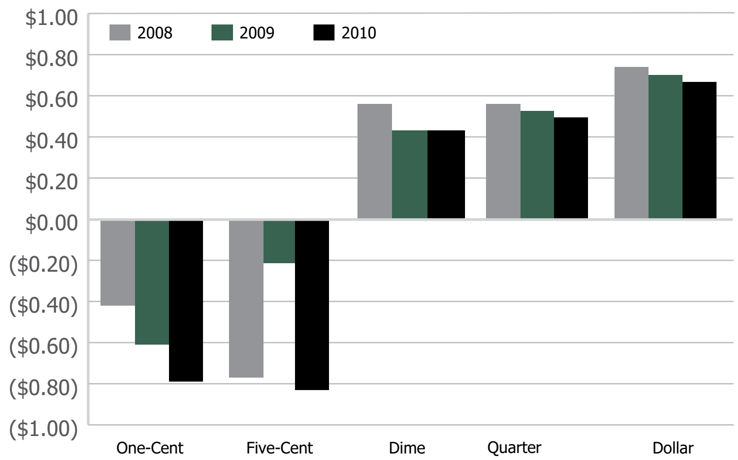
SHIPMENTS TO FEDERAL RESERVE BANKS, COSTS AND SEIGNIORAGE BY DENOMINATION
(coins and dollars in millions except seigniorage per $1 issued)

2010	One-Cent	Five-Cent	Dime	Quarter-Dollar	Half-Dollar	$1	Mutilated & Other	Total
Coins Shipped to the FRB	3,487	359	887	252	–	414	–	5,399
Value of Shipments	$ 34.9	$ 17.9	$ 88.7	$ 63.2	$ –	$ 413.5	$ –	$ 618.2
Gross Cost	$ 62.3	$ 33.1	$ 50.6	$ 32.2	$ 0.1	$ 130.7	$ 8.4	$ 317.4
Cost of Goods Sold	$ 62.3	$ 33.1	$ 40.8	$ 24.6	$ 0.1	$ 69.9	$ 8.4	$ 239.2
Sales, General & Administrative	$ –	$ –	$ 9.8	$ 7.6	$ –	$ 60.8	$ –	$ 78.2
Seigniorage	$ (27.4)	$ (15.2)	$ 38.1	$ 31.0	$ (0.1)	$ 282.8	$ (8.4)	$ 300.8
Seigniorage per $1 Issued	$ (0.79)	$ (0.85)	$ 0.43	$ 0.49	$ –	$ 0.68	$ –	$ 0.49

2009	One-Cent	Five-Cent	Dime	Quarter-Dollar	Half-Dollar	$1	Mutilated & Other	Total
Coins Shipped to the FRB	3,218	207	358	965	–	459	–	5,207
Value of Shipments	$ 32.2	$ 10.3	$ 35.7	$ 241.3	$ –	$ 458.1	$ –	$ 777.6
Gross Cost	$ 52.0	$ 12.5	$ 20.2	$ 109.1	$ (0.1)	$ 139.4	$ 16.7	$ 349.8
Cost of Goods Sold	$ 52.0	$ 12.2	$ 16.6	$ 80.3	$ (0.2)	$ 74.1	$ 16.7	$ 251.7
Sales, General & Administrative	$ –	$ 0.3	$ 3.6	$ 28.8	$ 0.1	$ 65.3	$ –	$ 98.1
Seigniorage	$ (19.8)	$ (2.2)	$ 15.5	$ 132.2	$ 0.1	$ 318.7	$ (16.7)	$ 427.8
Seigniorage per $1 Issued	$ (0.61)	$ (0.21)	$ 0.43	$ 0.55	$ –	$ 0.70	$ –	$ 0.55

2008	One-Cent	Five-Cent	Dime	Quarter-Dollar	Half-Dollar	$1	Mutilated & Other	Total
Coins Shipped to the FRB	5,272	647	1,070	2,510	–	475	–	9,974
Value of Shipments	$ 52.7	$ 32.3	$ 107.1	$ 627.6	$ –	$ 474.8	$ –	$ 1,294.5
Gross Cost	$ 74.9	$ 57.1	$ 46.6	$ 273.5	$ –	$ 125.4	$ 10.8	$ 588.3
Cost of Goods Sold	$ 74.7	$ 57.1	$ 40.3	$ 235.2	$ –	$ 73.2	$ 10.8	$ 491.3
Sales, General & Administrative	$ 0.2	$ –	$ 6.3	$ 38.3	$ –	$ 52.2	$ –	$ 97.0
Seigniorage	$ (22.2)	$ (24.8)	$ 60.5	$ 354.1	$ –	$ 349.4	$ (10.8)	$ 706.2
Seigniorage per $1 Issued	$ (0.42)	$ (0.77)	$ 0.56	$ 0.56	$ –	$ 0.74	$ –	$ 0.55

Seigniorage per Dollar Issued by Denomination



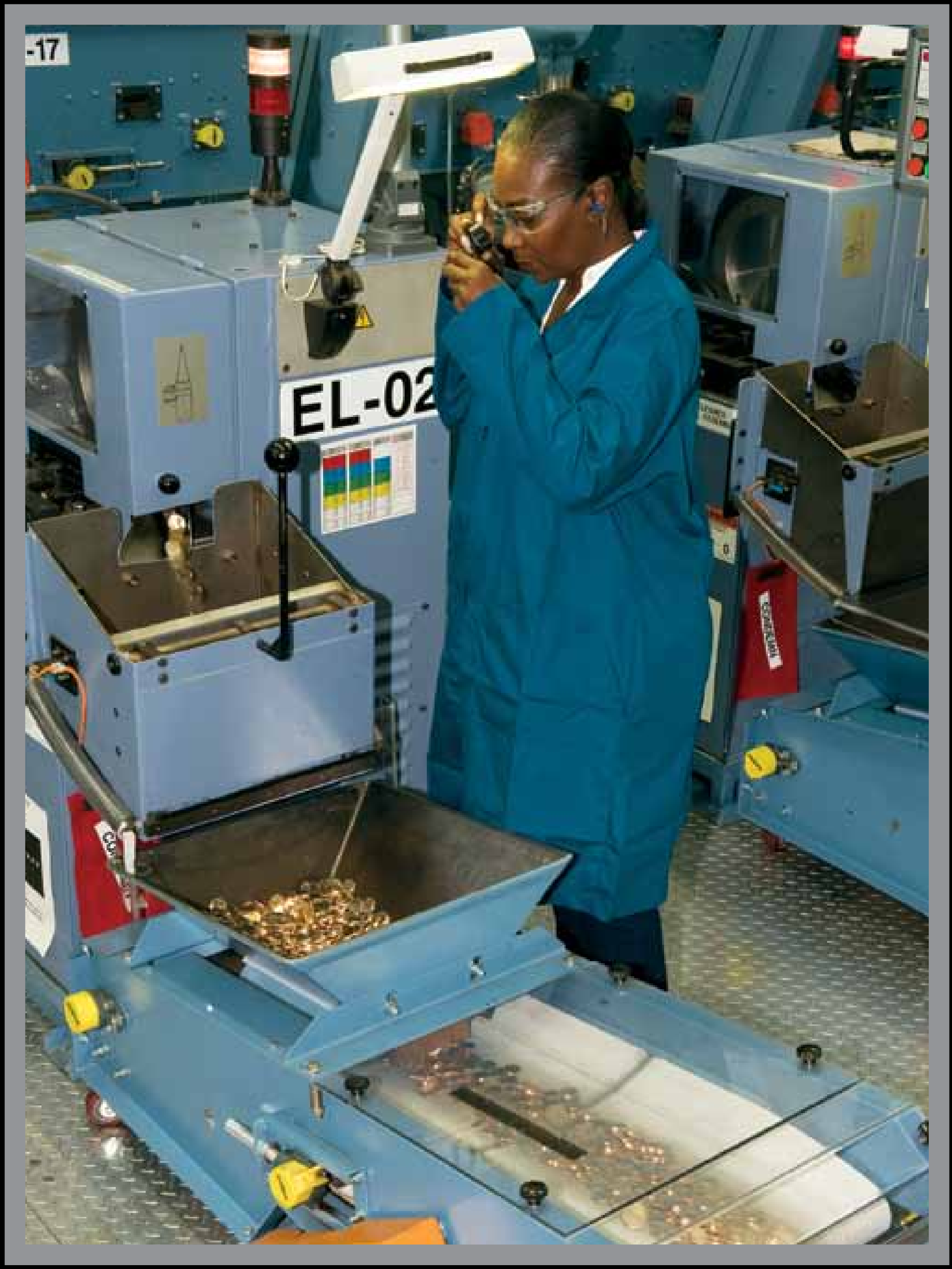
UNIT COST OF PRODUCING AND DISTRIBUTING COINS BY DENOMINATION

2010	One-Cent	Five-Cent	Dime	Quarter-Dollar	Half-Dollar	$1
Cost of Goods Sold	$ 0.0176	$ 0.0916	$ 0.0454	$ 0.0956	$ –	$ 0.1659
Sales, General & Administrative	$ –	$ –	$ 0.0110	$ 0.0302	$ –	$ 0.1469
Distribution to FRB	$ 0.0003	$ 0.0006	$ 0.0005	$ 0.0020	$ –	$ 0.0029
Total Unit Cost	$ 0.0179	$ 0.0922	$ 0.0569	$ 0.1278	$ –	$ 0.3157

2009	One-Cent	Five-Cent	Dime	Quarter-Dollar	Half-Dollar	$1
Cost of Goods Sold	$ 0.0159	$ 0.0579	$ 0.0456	$ 0.0816	$ –	$ 0.1601
Sales, General & Administrative	$ –	$ 0.0014	$ 0.0101	$ 0.0298	$ –	$ 0.1424
Distribution to FRB	$ 0.0003	$ 0.0010	$ 0.0008	$ 0.0017	$ –	$ 0.0017
Total Unit Cost	$ 0.0162	$ 0.0603	$ 0.0565	$ 0.1131	$ –	$ 0.3042

2008	One-Cent	Five-Cent	Dime	Quarter-Dollar	Half-Dollar	$1
Cost of Goods Sold	$ 0.0139	$ 0.0877	$ 0.0371	$ 0.0925	$ –	$ 0.1517
Sales, General & Administrative	$ –	$ –	$ 0.0059	$ 0.0153	$ –	$ 0.1098
Distribution to FRB	$ 0.0003	$ 0.0006	$ 0.0006	$ 0.0012	$ –	$ 0.0026
Total Unit Cost	$ 0.0142	$ 0.0883	$ 0.0436	$ 0.1090	$ –	$ 0.2641

Note: FY 2009 $1 Cost of Goods Sold unit cost revised to $0.1601 from $0.1599 in FY 2009 Annual Report to correct a rounding error.



United States Mint at Denver employee Gail Frazier inspects the edge lettering on a Presidential $1 Dollar Coin. Edge lettering is applied after the coin is minted. Once the blanks are dried, they move to the upsetting mill. This machine raises rims around the edge on both sides of the blank and reduces it to a size that fits into the coining press collar.

BULLION PRODUCTS

The United States Mint mints and issues gold, silver and platinum bullion coins to Authorized Purchasers through American Eagle and American Buffalo Bullion Coin Programs. The bureau purchases precious metal on the open market at the time of an order. Coins are sold to Authorized Purchasers at the same market price paid for the metal to produce the coins 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 coins at the prevailing market price, adjusting for any premium the authorized purchaser applies. The purpose of the bullion program is to make precious metal coins available at minimal cost to investors. Consequently, the United States Mint manages the bullion program to a nominal net margin.

FY 2010 RESULTS

Demand for bullion coins reached a new high in FY 2010, surpassing the unprecedented demand of FY 2009. Uncertainty surrounding traditional investments and concerns about future inflation continued to drive investor demand into FY 2010. Demand appeared to be easing, along with precious metal market prices, in the second quarter of the fiscal year. However, global fears over European sovereign debt caused demand to rebound as the spot prices of gold and silver soared back to record nominal highs in the third quarter. Spot prices began declining again at the beginning of the fourth quarter but bounced back to new record nominal highs. Bullion coin sales remained strong as perceptions on the global economic outlook worsened through the close of FY 2010.

The United States Mint sold 35.8 million ounces of gold and silver bullion coins in FY 2010, up 8.2 million ounces (29.7 percent) from the previous record total sales of 27.6 million in FY 2009. The bureau sold this record volume to Authorized Purchasers at higher prices, reflecting the increased market value for gold and silver. The average spot price of gold and silver increased 29.2 percent and 40.1 percent, respectively, in FY 2010 from FY 2009. Accordingly, total bullion revenue reached a record high of $2,855.4 million in FY 2010, up $1,160.6 million (68.5 percent) from $1,694.8 million in FY 2009.

The volume of precious metal planchets the United States Mint's suppliers can provide in a timely manner limits the number of bullion products the bureau can produce. In FY 2010, the United States Mint worked extensively with existing and new vendors to increase the quantity of gold and silver planchets they supply the bureau. As in FY 2009, the United States Mint diverted planchets from discretionary numismatic and bullion programs to American Eagle gold and silver bullion coin programs for which the bureau is required to mint and issue coins in quantities sufficient to meet public demand. While demand remained strong, the United States Mint fully satisfied demand for 2010 American Eagle gold bullion coins throughout FY 2010.

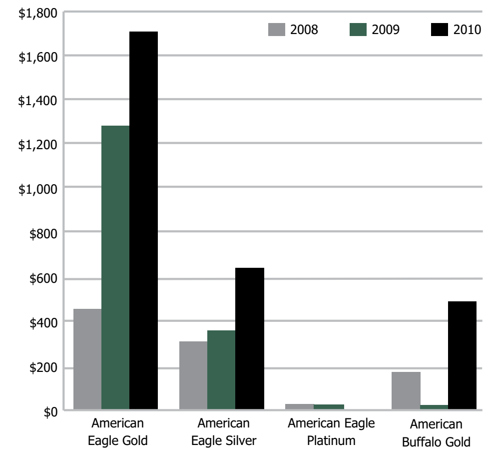
The United States Mint maintained standard allocation and ordering limits on American Eagle silver bullion coins through most of FY 2010. These measures ensure that scarce products are equitably distributed among Authorized Purchasers. In August 2010, expanded supply was sufficient to remove ordering limits and satisfy all demand for silver bullion coins.

BULLION (dollars in millions)

	2010	2009	2008	2007	2006	% Change 2009 to 2010
Sales Revenue	$ 2,855.4	$ 1,694.8	$ 948.8	$ 356.1	$ 536.6	(68.5%)
Gross Cost	$ 2,800.2	$ 1,662.1	$ 931.0	$ 351.6	$ 524.4	(68.5%)
Cost of Goods Sold	$ 2,778.4	$ 1,650.0	$ 922.6	$ 350.0	$ 523.0	(68.4%)
Sales, General & Administrative	$ 21.8	$ 12.1	$ 8.4	$ 1.6	$ 1.4	(80.2%)
Net Income	$ 55.2	$ 32.7	$ 17.8	$ 4.5	$ 12.2	(68.8%)
Bullion Net Margin	1.9%	1.9%	1.9%	1.3%	2.3%	

High sales volumes and market prices drove gross cost up to $2,800.2 million in FY 2010 from $1,662.1 million in FY 2009. Cost of goods sold (COGS) increased to $2,778.4 million in FY 2010 from $1,650.0 million last year but made up the same portion of total sales revenue. Bullion sales generated the largest portion of the United States Mint's total revenue. Consequently, a greater portion of sales, general and administrative (SG&A) expense was allocated to the bullion program in FY 2010. Bullion SG&A increased to $21.8 million in FY 2010 from $12.1 million last year. Bullion net income increased 68.8 percent to $55.2 million in FY 2010 from $32.7 million in FY 2009. The bullion program was successfully managed to just below the standard net margin of two percent.

Revenue by Bullion Program (dollars in millions)



AMERICAN EAGLE PROGRAM

Revenue from the sales of American Eagle 22-karat gold and silver bullion coins experienced record growth.

American Eagle gold bullion sales revenue increased 33.8 percent to $1,710.8 million in FY 2010 from $1,278.2 million in FY 2009. Revenue from the sale of these 22-karat gold coins made up 59.9 percent of total bullion revenue in FY 2010. American Eagle gold coin revenue was boosted by sales of 2009 and 2010 year-dated fractional weights (one-half, one-fourth or one-tenth ounces), which were both initially released for sale during the fiscal year. The United States Mint sold 174,000 ounces of American Eagle gold fractional weight coins in FY 2010, six times the ounces sold in FY 2009.

American Eagle silver bullion sales revenue increased 77.4 percent to $659.9 million in FY 2010 from $372.0 million in FY 2009. American Eagle silver one-ounce bullion coins made up the vast majority (94.9 percent) of total ounces sold in FY 2010. The United States Mint sold approximately 34.0 million ounces of silver bullion coins, up 30.0 percent from last year.

Net income from American Eagle gold coins increased from $25.5 million in FY 2009 to $35.3 million in FY 2010. American Eagle silver coin net income more than doubled, increasing to $13.5 million from $6.1 million last year.

Starting in calendar year 2009, the United States Mint suspended production of American Eagle platinum coins to divert production capacity to mandatory bullion programs. There is no statutory requirement for the United States Mint to produce or supply platinum bullion coins. All American Eagle platinum bullion coin revenue recorded in FY 2009 resulted from the sale of calendar year 2008 coin inventory in the first quarter. No American Eagle platinum bullion coin sales revenue was recorded in FY 2010.

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

AMERICAN BUFFALO PROGRAM

The American Buffalo program achieved record ounces sold and revenue in FY 2010 because both 2009 and 2010 24-karat gold coins were released for sale during the fiscal year. The United States Mint delayed release of the 2009 American Buffalo bullion coins to divert planchet supply and production capacity to American Eagle 22-karat gold one-ounce coin production. While Federal law requires the United States Mint to meet public demand for American Eagle coins, the American Buffalo program's authorizing legislation only provides that 24-karat gold bullion coins be minted and issued in quantities the Secretary of the Treasury prescribes. After fully satisfying demand for American Eagle gold coins, the United States began acquiring planchets for the American Buffalo program in the fourth quarter of FY 2009. The bureau began offering 2009 American Buffalo 24-karat gold one ounce coin sales in October 2009. The United State Mint launched the 2010 coins for sale in May 2010.

Both 2009 and 2010 coins sold out during the fiscal year. Revenue from American Buffalo coins totaled $484.7 million in FY 2010, significantly above FY 2009 revenue of $20.9 million. FY 2009 American Buffalo revenue resulted from the sale of a small quantity of 2008 coins during the first quarter. FY 2010 revenue was nearly three times FY 2008 revenue, during which American Buffalo sales were more typical of prior fiscal years. American Buffalo gold net income grew to $6.4 million in FY 2010 from $0.1 million in FY 2009.

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

2010	American Eagle Gold	American Eagle Silver	American Eagle Platinum	American Buffalo Gold	Total
Sales Revenue	$ 1,710.8	$ 659.9	$ –	$ 484.7	$ 2,855.4
Gross Cost	$ 1,675.5	$ 646.4	$ –	$ 478.3	$ 2,800.2
Cost of Goods Sold	$ 1,663.5	$ 641.7	$ –	$ 473.2	$ 2,778.4
Sales, General & Administrative	$ 12.0	$ 4.7	$ –	$ 5.1	$ 21.8
Net Income	$ 35.3	$ 13.5	$ –	$ 6.4	$ 55.2
Bullion Net Margin	2.1%	2.0%	–	1.3%	1.9%

2009	American Eagle Gold	American Eagle Silver	American Eagle Platinum	American Buffalo Gold	Total
Sales Revenue	$ 1,278.2	$ 372.0	$ 23.7	$ 20.9	$ 1,694.8
Gross Cost	$ 1,252.7	$ 365.9	$ 22.7	$ 20.8	$ 1,662.1
Cost of Goods Sold	$ 1,245.0	$ 361.9	$ 22.4	$ 20.7	$ 1,650.0
Sales, General & Administrative	$ 7.7	$ 4.0	$ 0.3	$ 0.1	$ 12.1
Net Income	$ 25.5	$ 6.1	$ 1.0	$ 0.1	$ 32.7
Bullion Net Margin	2.0%	1.6%	4.2%	0.5%	1.9%

2008	American Eagle Gold	American Eagle Silver	American Eagle Platinum	American Buffalo Gold	Total
Sales Revenue	$ 449.6	$ 306.4	$ 22.4	$ 170.4	$ 948.8
Gross Cost	$ 439.4	$ 301.4	$ 21.5	$ 168.7	$ 931.0
Cost of Goods Sold	$ 435.3	$ 299.3	$ 21.2	$ 166.8	$ 922.6
Sales, General & Administrative	$ 4.1	$ 2.1	$ 0.3	$ 1.9	$ 8.4
Net Income	$ 10.2	$ 5.0	$ 0.9	$ 1.7	$ 17.8
Bullion Net Margin	2.3%	1.6%	4.0%	1.0%	1.9%

United States Mint at San Francisco employee Ofelia Reyes is monitoring coin blanks for proof sets. They are being burnished to remove oxidation layers. After blanks are cut, they are placed in a furnace at temperatures over 700 degrees centigrade to soften the metal (a process called annealing). From the furnace, the blanks drop into a quench tank to reduce the temperature. Next, the blanks travel through a huge cylindrical tube called the whirlaway. Suspended high above the ground, these tubes tilt at a 45-degree angle toward the washing and drying station. As the blanks travel up the whirlaway toward the washer, excess liquid is drained. The high temperature of the annealing process creates a grayish discoloration on the surface of the metal. To make it bright and shiny, the metal needs to be cleaned to remove oxides, tarnish, discoloration or contamination that remains after annealing.

NUMISMATIC PRODUCTS

The United States Mint prepares and distributes a variety of numismatic products directly to the public. The value of sales of numismatic products is considered earned revenue in the financial statements. The net return from numismatic operations is calculated by subtracting the program's gross costs from sales revenue. The pricing for this program is managed to at or below a 15 percent net margin overall to ensure sale prices are as low as practicable and returns are sufficient to fund numismatic operating costs.

FY 2010 RESULTS

Retail sales of numismatic versions of the United States Mint's circulating and commemorative coins and medals weakened in FY 2010 compared to prior fiscal years. The United States Mint offered fewer precious metal numismatic products in FY 2010 because gold and silver blanks were diverted to the bullion program. Additionally, poor economic conditions may have suppressed consumer spending on collectibles as sales of available recurring products declined from prior years. The introduction of the new America the Beautiful Quarters Program numismatic products did not offset this decline.

Because numismatic sales shifted toward higher priced products, revenue declined slightly from last year's total despite lower sales volumes. Numismatic total units sold fell to approximately 6.5 million from 8.0 million last year. Numismatic sales revenue fell only 6.1 percent to $413.1 million in FY 2010 from $440.0 million last year.

Lower sales volumes reduced numismatic gross costs by 8.9 percent to $363.3 million in FY 2010 from $398.9 million in FY 2009. Cost of goods sold (COGS) decreased to $298.6 million and made up a slightly smaller portion of numismatic sales revenue. Sales, general and administrative (SG&A) expenses declined 6.5 percent to $64.7 million but remained fairly consistent relative to revenue. Less SG&A expense was allocated to the numismatic program in FY 2010 because numismatic sales generated a smaller portion of the United States Mint's total revenue.

Despite reduced demand, numismatic program net income and seigniorage increased to $49.8 million in FY 2010 from $41.1 million in FY 2009. Earnings growth reflected a shift in sales toward high margin products. Gross cost made up a smaller portion of numismatic sales revenue, boosting the net margin to 12.1 percent in FY 2010 from 9.3 percent in FY 2009.

RECURRING PROGRAMS

Recurring programs include high quality versions of the Nation's circulating coinage that are specially packaged. These products include annual sets, America the Beautiful Quarters sets, and Presidential $1 Coin sets. Revenue from recurring programs decreased 4.0 percent to $191.9 million in FY 2010 from $199.8 million in FY 2009. Despite lower sales revenue and volumes, net income more than doubled, increasing from $9.9 million in FY 2009 to $21.2 million in FY 2010. Earnings grew because recurring program COGS fell 13.7 percent and made up a smaller

NUMISMATIC (dollars in millions)

	2010	2009	2008	2007	2006	% Change 2009 to 2010
Sales Revenue	$ 413.1	$ 440.0	$ 557.2	$ 551.5	$ 514.9	(6.1%)
Gross Cost	$ 363.3	$ 398.9	$ 474.8	$ 475.6	$ 427.7	(8.9%)
Cost of Goods Sold	$ 298.6	$ 329.7	$ 388.1	$ 396.7	$ 346.2	(9.4%)
Sales, General & Administrative	$ 64.7	$ 69.2	$ 86.7	$ 78.9	$ 81.5	(6.5%)
Net Income & Seigniorage	$ 49.8	$ 41.1	$ 82.4	$ 75.9	$ 87.2	21.2%
Numismatic Net Margin	12.1%	9.3%	14.8%	13.8%	16.9%	
Seigniorage Portion	$ 12.0	$ 19.3	$ 22.5	$ 27.1	$ 13.9	(37.8%)

portion of revenue. The raw materials and production costs for 2010 annual sets fell from the 2009 counterparts because the current year sets included fewer individual coins. This reduction in COGS also resulted in a higher net margin.

2009 ULTRA HIGH RELIEF DOUBLE EAGLE GOLD COIN

Sales of the 2009 Ultra High Relief Double Eagle Gold Coin began on January 22, 2009, and generated $112.4 million in revenue in FY 2009. The 2009 Ultra High Relief Double Eagle Gold Coin was the highest revenue generating numismatic product, contributing 25.5 percent of total sales revenue in FY 2009. The United States Mint continued to offer the coins for sale through the close of the 2009 calendar year. Sales of the 2009 Ultra High Relief Double Eagle Gold Coin generated $35.1 million in revenue in FY 2010.

The United States Mint recorded some expenses charged to the entire program upon conclusion in FY 2010. This drove up COGS and resulted in negative net income for the fiscal year. However, the entire 2009 Ultra High Relief Double Eagle Gold Coin generated positive net income of $4.1 million over all three fiscal years containing financial results for the program.

AMERICAN EAGLE PROGRAM

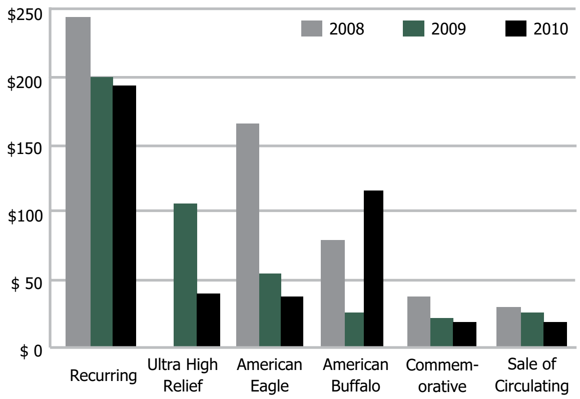
American Eagle gold, silver and platinum coins are offered in proof and uncirculated quality as part of the numismatic program. In FY 2009, the United States Mint suspended production of gold and silver American Eagle numismatic products to divert precious metal planchet supply to bullion coin production. Consequently, sales of American Eagle platinum numismatic products made up the vast majority of American Eagle revenue in FY 2010. During the fiscal year, the bureau released for sale the first two of a series of six annual one-ounce American Eagle Platinum numismatic Proof Coins with reverse designs honoring principles in the preamble to the United States Constitution.

Revenue from the sale of American Eagle products fell 40.7 percent to $32.7 million in FY 2010 from $55.1 million in FY 2009. All revenue recorded in FY 2009 resulted from the sale of 2008 American Eagle numismatic products in the first half of FY 2009. American Eagle program net income fell from $5.2 million in FY 2009 to $4.3 million in FY 2010. The net margin increased to 13.1 percent because American Eagle platinum products made up the vast majority of sales. American Eagle platinum products were sold at a higher margin because the raw material was purchased when platinum market prices were low relative to FY 2010 market prices. The price of one-ounce American Eagle Platinum Proof Coin varies with platinum market prices at the point of sale to ensure that consumers are unaffected by deviations between the product and market price.

AMERICAN BUFFALO PROGRAM

Revenue from the sale of American Buffalo numismatic products increased significantly in FY 2010 because both 2009 and 2010 versions of the 24-karat gold proof one-ounce coin were released for sale during the fiscal year. As with the American Buffalo bullion program, the United States Mint delayed release of the 2009 American Buffalo gold numismatic products to divert planchet supply and production capacity to American Eagle bullion coin production. The bureau offered the 2009 American Buffalo gold proof one-ounce coin for sale in October 2009. The 2010 coin was released for sale in June 2010. Revenue from American Buffalo products sales grew to $115.6 million in FY 2010 from $25.7 million in FY 2009. All revenue recorded in FY 2009 resulted from the sale of 2008 American

Revenue by Numismatic Program (dollars in millions)



Buffalo numismatic products in the initial quarters of FY 2009.

American Buffalo program net income increased to $12.6 million in FY 2010 from $1.5 million last year. The net margin increased to 10.9 percent because FY 2010 sales consisted of only American Buffalo gold proof one-ounce coins. FY 2009 sales included American Buffalo gold uncirculated one-ounce coins and the 2008 Celebration Coin, which were both sold at a lower margin. The margin on the proof coin was consistent from fiscal year to fiscal year.

COMMEMORATIVE COIN PROGRAMS

Revenue from the sale of commemorative coins, less surcharges paid to recipient organizations, declined slightly to $20.1 million in FY 2010 from $21.6 million in FY 2009. Two commemorative programs were launched in FY 2010. The American Veterans Disabled for Life Silver Dollar Program generated $9.0 million in revenue and $2.3 million in eligible surcharges for the recipient organization as of September 30, 2010. The Boy Scouts of America Centennial Silver Dollar Program generated $13.5 million in revenue and $3.5 million in eligible surcharges for the recipient organization as of September 30, 2010.

Commemorative coin programs are managed on a calendar year basis. Truncating program results to fiscal year can result in negative net income. The United States Mint manages commemorative programs to a nominal net income after eligible surcharge so that costs are recovered.

NUMISMATIC SALES OF CIRCULATING COINAGE

The United States Mint sells certain circulating coins through numismatic channels. Revenue from these sales is recognized as the face value of circulating coin sold in the same way as circulating shipments to the FRB. The total face value from the sale of circulating coinage fell 30.3 percent to $17.7 million in FY 2010 from $25.4 million in FY 2009. Seigniorage from the numismatic sale of circulating coins is not available to the United States Mint as spending authority, but is transferred to the Treasury General Fund as off-budget receipts. Seigniorage decreased to $12.0 million in FY 2010 from $19.3 million last fiscal year.

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

2010	Recurring	Ultra High Relief	American Eagle	American Buffalo	Commemorative	Numismatic Sale of Circulating	Total
Sales Revenue	$ 191.9	$ 35.1	$ 32.7	$ 115.6	$ 20.1	$ 17.7	$ 413.1
Gross Cost	$ 170.7	$ 37.1	$ 28.4	$ 103.0	$ 18.4	$ 5.7	$ 363.3
Cost of Goods Sold	$ 131.9	$ 36.2	$ 21.9	$ 90.3	$ 14.9	$ 3.4	$ 298.6
Sales, General & Administrative	$ 38.8	$ 0.9	$ 6.5	$ 12.7	$ 3.5	$ 2.3	$ 64.7
Net Income & Seigniorage	$ 21.2	$ (2.0)	$ 4.3	$ 12.6	$ 1.7	$ 12.0	$ 49.8
Numismatic Net Margin	11.0%	(5.7%)	13.1%	10.9%	8.5%	67.8%	12.1%

2009	Recurring	Ultra High Relief	American Eagle	American Buffalo	Commemorative	Numismatic Sale of Circulating	Total
Sales Revenue	$ 199.8	$ 112.4	$ 55.1	$ 25.7	$ 21.6	$ 25.4	$ 440.0
Gross Cost	$ 189.9	$ 106.0	$ 49.9	$ 24.2	$ 22.8	$ 6.1	$ 398.9
Cost of Goods Sold	$ 152.9	$ 88.9	$ 43.6	$ 21.9	$ 19.1	$ 3.3	$ 329.7
Sales, General & Administrative	$ 37.0	$ 17.1	$ 6.3	$ 2.3	$ 3.7	$ 2.8	$ 69.2
Net Income & Seigniorage	$ 9.9	$ 6.4	$ 5.2	$ 1.5	$ (1.2)	$ 19.3	$ 41.1
Numismatic Net Margin	5.0%	5.7%	9.4%	5.8%	(5.6%)	76.0%	9.3%

2008	Recurring	Ultra High Relief	American Eagle	American Buffalo	Commemorative	Numismatic Sale of Circulating	Total
Sales Revenue	$ 245.5	$ 0.0	$ 166.0	$ 78.8	$ 37.3	$ 29.6	$ 557.2
Gross Cost	$ 226.1	$ 0.3	$ 137.4	$ 71.0	$ 32.9	$ 7.1	$ 474.8
Cost of Goods Sold	$ 174.8	$ 0.1	$ 117.1	$ 64.7	$ 27.6	$ 3.8	$ 388.1
Sales, General & Administrative	$ 51.3	$ 0.2	$ 20.3	$ 6.3	$ 5.3	$ 3.3	$ 86.7
Net Income & Seigniorage	$ 19.4	$ (0.3)	$ 28.6	$ 7.8	$ 4.4	$ 22.5	$ 82.4
Numismatic Net Margin	7.9%	–	17.2%	9.9%	11.8%	76.0%	14.8%

TRANSFER TO THE TREASURY GENERAL FUND

As required by U.S.C. § 5136, the United States Mint deposits all receipts from operations and programs into the United States Mint Public Enterprise Fund (PEF). Periodically throughout the year, the bureau transfers amounts in the PEF determined to be in excess of amounts required to support on-going United States Mint operations and programs.

The United States Mint's operations yielded lower returns in FY 2010 compared to prior fiscal years. Circulating receipts historically generate the vast majority of the PEF's transfer to the Treasury General Fund. Higher base metal expenses and a shift in demand toward lower denominations in FY 2010 generated reduced seigniorage amounts for the PEF. Consequently, the United States Mint PEF generated a $388.0 million return to the Treasury General Fund, an 18.3 percent decrease from the $475.0 million return in FY 2009.

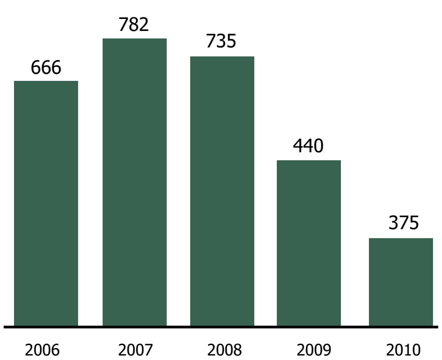
OFF-BUDGET TRANSFER

The off-budget transfer is seigniorage, the financing source resulting from the sale of circulating coins. Seigniorage arises from the Federal Government exercising its sovereign power to create money. The President's Budget excludes the off-budget transfer from receipts and treats it as a means of financing the national debt. The comparatively low level of seigniorage generated in FY 2010 reduced the off-budget transfer 14.8 percent to $375.0 million from $440.0 million in FY 2009.

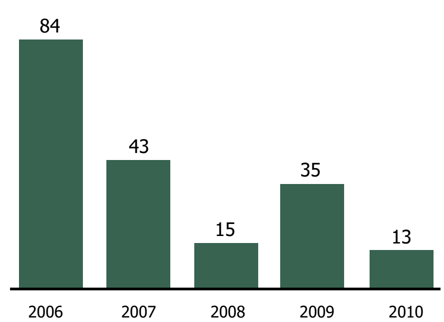
ON-BUDGET TRANSFER

The on-budget transfer consists of the prior fiscal year net income from operations (excluding seigniorage). This represents numismatic (including bullion) net income less the net cost of protection of assets. The United States Mint retains the net income from the prior fiscal year operations, pending the completion of the financial statement audit. Until that time, the amount is considered permanently not available as a funding source for PEF operations. The on-budget transfer is treated as receipts and available to reduce the deficit or fund current Federal Government operations or programs. Resulting from FY 2009 net income from operations, the FY 2010 on-budget transfer totaled $13.0 million. The FY 2009 on-budget transfer from FY 2008 net income from operations totaled $35.0 million.

Off-Budget Transfer (dollars in millions)



On-Budget Transfer (dollars in millions)



TRANSFERS TO THE TREASURY GENERAL FUND (dollars in millions)

	2010	2009	2008	2007	2006	% Change 2009 to 2010
On-Budget	$ 13.0	$ 35.0	$ 15.0	$ 43.0	$ 84.0	(62.9%)
Off-Budget	$ 375.0	$ 440.0	$ 735.0	$ 782.0	$ 666.0	(14.8%)
Total Transfer	$ 388.0	$ 475.0	$ 750.0	$ 825.0	$ 750.0	(18.3%)

United States Mint at West Point employee Keith Gopel checks the hardness of silver blanks. The United States Mint has established specifications for hardness, so employees must test incoming blank shipments to make sure they meet the criteria.

PERFORMANCE GOALS, OBJECTIVES AND RESULTS

As mandated by the Government Performance & Results Act of 1993, agencies are to identify critical activities, devise pertinent performance measures, and report on these activities to the President and Congress. In FY 2010, the United States Mint developed new strategic goals focused on effectively meeting all circulating demand; effectively managing bullion and numismatic programs; a safe, engaged, productive and valued workforce; and leadership and organizational excellence. The organization's progress in achieving each of these goals was presented in earlier sections in this report. To assess performance on primary budget activities, the United States Mint monitors six key performance measures.

SEIGNIORAGE PER DOLLAR ISSUED

Seigniorage per dollar issued is the return to circulating operations, calculated as seigniorage divided by the total face value of circulated coinage shipped to Federal Reserve Banks (FRB).

Seigniorage per dollar issued was $0.49 in FY 2010, below the performance target of $0.53. Base metal expenses and the mix of circulating coin ordered by the FRB largely determine seigniorage per dollar issued performance. In FY 2010, increasing metal costs and a shift in the mix of ordered coins toward lower denominations reduced seigniorage per dollar issued. Market prices of copper, nickel and zinc recovered from FY 2009 lows and climbed back to prior fiscal year levels. This caused circulating COGS to increase relative to the value of shipments. The composition of circulating coins ordered by the FRB shifted to lower denomination coins. Higher shipments of one-cent and five-cent coins reduce seigniorage relative to the value of shipments because these coins are minted and issued at costs that exceeds their face values.

Metal market prices are expected to hold at higher levels as the global economy improves. To mitigate the challenge of rising metal prices, the United States Mint and the Department of the Treasury continue to work with Congress to examine options for changing the composition of circulating coinage to less expensive materials. This would improve future seigniorage per dollar issued performance.

CIRCULATING ON-TIME DELIVERY

Circulating on-time delivery is the percentage of total scheduled orders shipped on time to the FRB. The United States Mint is responsible for providing the Nation's coinage in quantities that the Secretary of the Treasury determines to be necessary to meet the needs of the United States. To accomplish this mission, the United States Mint must supply coinage in the quantities and timelines specified by the FRB. The FRB is then responsible for distributing coinage to the commercial banks.

The United States Mint shipped 99.8 percent of scheduled orders on time to the FRB in FY 2010. This was a baseline year for the performance measure so no target was set. The bureau continuously monitors the circulating supply chain to ensure circulating coins are timely and accurately provided to the FRB.

SAFETY INCIDENT RECORDABLE RATE

The safety incident recordable rate is the number of injuries and illnesses meeting the Occupational Safety and Health Administration recording criteria per 100 full-time workers. It measures the occurrence of work-related incidents involving death, lost time and restricted work, loss of consciousness, and medical treatment. This definition follows Part 1904 of Title 29, Code of Federal Register (29 C.F.R. Part 1904).

The safety incident recordable rate fell to 2.29 in FY 2010, below the 3.86 target and down from 2.50 in FY 2009. The United States Mint will continue to place a high priority on ensuring employee safety.

NUMISMATIC CUSTOMER BASE

The numismatic customer base consists of the total number of unique purchasers within a fiscal year. A unique purchaser is defined as an account number and address and name combination without a prior purchase in the fiscal year.

The numismatic customer based totaled 798,515 in FY 2010, below the target of 976,000 and down from 1.06 million in FY 2009. The United States Mint customer retention and acquisition performance declined because the bureau was unable to offer key gold and silver numismatic products for sale after January 2009. In particular, popular American Eagle numismatic products were unavailable because precious metal planchets were diverted to the bullion program in accordance with the United States Mint's statutory requirement to fulfill bullion demand. Economic conditions may have also curtailed customer spending on collectibles from prior years.

By the close of FY 2010, the United States Mint had sufficiently expanded gold and silver planchet supply to fulfill bullion demand and redirect a portion of blanks for numismatic production. Releasing popular gold and silver numismatic products is expected to improve customer retention and acquisition as well as customer satisfaction in FY 2011. The United States Mint will also work to identify and remedy inhibitors to customer satisfaction in the upcoming fiscal year.

CUSTOMER SATISFACTION INDEX (CSI)

The United States Mint conducts a quarterly Customer Satisfaction Measure Tracking Survey among a random sample of active customers. The survey is intended to capture customer satisfaction with the United States Mint's performance as a coin supplier and the quality of specific numismatic products. CSI is as a single quantitative score of survey results.

CSI was 86.1 percent in FY 2010, below the target of 88.0 percent and down from the FY 2009 result of 88.3 percent. Satisfaction with performance as a coin supplier declined through most of FY 2010. About 77.0 percent of respondents reported high satisfaction with the United States Mint's performance in this category, down from 80.5 percent in FY 2009. Customer satisfaction with product quality declined slightly from FY 2009 but remained strong, with 95.2 percent of respondents highly satisfied with the quality of products.

At the close of FY 2010, the United States Mint began repositioning manufacturing and sales operations to offer popular numismatic products for sale beginning in January 2011. The bureau expects early release of core products will augment numismatic sales and customer satisfaction in FY 2011.

PROTECTION COST PER SQUARE FOOT

Protection cost per square foot is the Protection Department's total operating cost divided by the area of usable space of the United States Mint. Usable space is defined as 90 percent of total square footage. Operating costs exclude depreciation. Total square footage of usable space is relatively constant and only changes with major events such as the addition or removal of a facility. The measure indicates the Protection Department's cost efficiency in safeguarding United States Mint facilities, employees and assets.

Protection cost per square foot increased to $32.26 in FY 2010 from $31.57 last year. The FY 2010 result was $0.51 above the target of $31.75. The Protection Department total operating cost increased by approximately $936,568 (2.2 percent) from FY 2009. The Protection Department significantly reduced travel, transportation, rent, communication and utilities expenses from last fiscal year. However, these cuts were more than offset by standard growth in expenses for personnel compensation and benefits.

The Protection Department will continue efforts to contain costs while fulfilling protection responsibilities in FY 2011.

BUDGET PERFORMANCE MEASURES

	2010 Result	2010 Target	2009	2008	2007	2006
Seigniorage per Dollar Issued	$ 0.49	$ 0.53	$ 0.55	$ 0.55	$ 0.58	$ 0.53
Circulating On-Time Delivery	99.8%	Baseline	n/a	n/a	n/a	n/a
Safety Incident Recordable Rate	2.29	3.86	2.50	4.10	3.84	3.45
Numismatic Customer Base	0.799 million	0.976 million	1.06 million	1.27 million	0.97 million	n/a
Customer Satisfaction Index (CSI)	86.1%	88.0%	88.3%	87.5%	90.5%	90.5%
Protection Cost per Square Foot	$ 32.26	$ 31.75	$ 31.57	$ 31.76	$ 31.29	$ 32.49

ANALYSIS OF SYSTEMS, CONTROLS AND LEGAL COMPLIANCE

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

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

- programs achieve their intended results;
- resources are used consistently with the 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;
- systems 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 United States 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 2010. Specifically, this assurance is provided relative to Sections 2 and 4 of the FMFIA. We further assure that our financial management systems are in substantial compliance with requirements imposed by the FFMIA.

In 2010, we conducted the mandatory Treasury evaluation of the effectiveness of the United States Mint's internal controls over financial reporting in accordance with OMB Circular A-123, Management's Responsibility for Internal Control, Appendix A. Based on the results of this evaluation, the United States Mint can provide unqualified assurance that internal control over financial reporting as of June 30, 2010, is operating effectively, and no material weaknesses were found in the design or operation of the internal controls over financial reporting.

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

- Annual audits of the United States 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; c) internal controls and compliance with laws and regulations and other materials related to preparing financial statements.
- Tracking and closure of corrective actions identified in the Financial Statement Audit and A-123 Assessment.
- Internal management and program reviews conducted for the purpose of assessing management controls.
- Annual Action Items developed by the United States Mint's Senior Staff to implement organization-wide initiatives and promote internal efficiencies, cultural accountability and greater public awareness.
- Reviews of financial systems for requirements compliance in conjunction with OMB Circular A-127 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 Payment Information Act (IPIA).
- Reviews and reporting in compliance with the Federal Information Security Management Act (FISMA).

The United States Mint is committed to continue to monitor and improve 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 United States Mint, pursuant to the requirements of 31 U.S.C. § 3515(b). The statements have been prepared from the books and records of the United States Mint in accordance with generally accepted accounting principles for Federal entities and the formats prescribed by 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.

KPMG LLP
2001 M Street, NW
Washington, DC 20036-3389

Independent Auditors' Report

Inspector General
United States Department of the Treasury

Director
United States Mint:

We have audited the accompanying balance sheets of the United States Mint as of September 30, 2010 and 2009, and the related statements of net cost, changes in net position, and combined statements of budgetary resources (hereinafter referred to as "financial statements") for the years then ended. These financial statements are the responsibility of the United States Mint's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the United States Mint as of September 30, 2010 and 2009, and its net costs, changes in net position, and budgetary resources for the years then ended in conformity with U.S. generally accepted accounting principles.

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

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The information in the *United States Mint at a Glance*, *Director's Letter*, *Organizational Profile*, *Our Goals* and *Appendix 1: FY 2010 Coin and Medal Products* are presented for purposes of additional analysis and are not required as part of the financial statements. This information has not been subjected to auditing procedures and, accordingly, we express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our reports dated December 2, 2010, on our consideration of the United States Mint's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and contracts and other matters. The purpose of those reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in assessing the results of our audits.

KPMG LLP

December 2, 2010

DEPARTMENT OF THE TREASURY UNITED STATES MINT
BALANCE SHEETS

(dollars in thousands)

	As of September 30, 2010	As of September 30, 2009
Assets		
Intragovernmental:		
Fund Balance with Treasury (Note 3)	$ 331,944	$ 429,476
Accounts Receivable, Net (Note 4)	456	406
Advances and Prepayments (Note 5)	3,178	2,877
Total Intragovernmental Assets	335,578	432,759
Custodial Gold and Silver Reserves (Notes 6)	10,493,740	10,493,740
Accounts Receivable, Net (Note 4)	7,365	6,890
Inventory (Notes 7 and 20)	451,560	354,900
Supplies	17,138	16,815
Property, Plant and Equipment, Net (Note 8)	190,295	200,148
Advances and Prepayments (Note 5)	2	2
Total Non-Intragovernmental Assets	$ 11,160,100	$ 11,072,495
Total Assets (Notes 2 and 14)	**$ 11,495,678**	**$ 11,505,254**
Heritage Assets (Note 9)		
Liabilities		
Intragovernmental:		
Accounts Payable	$ 5,798	$ 5,597
Accrued Workers' Compensation and Benefits	8,857	7,831
Total Intragovernmental Liabilities	14,655	13,428
Custodial Liability to Treasury (Note 6)	10,493,740	10,493,740
Accounts Payable	32,720	41,697
Surcharges Payable (Note 3)	13,055	7,330
Accrued Payroll and Benefits	17,834	17,409
Other Actuarial Liabilities	26,663	25,380
Unearned Revenue	1,846	1,710
Deposit Fund Liability	94	25
Total Non-Intragovernmental Liabilities	$ 10,585,952	$ 10,587,291
Total Liabilities (Notes 10 and 14)	**$ 10,600,607**	**$ 10,600,719**
Commitments and Contingencies (Notes 12, 13 and 20)		
Net Position		
Cumulative Results of Operations - Earmarked Funds (Note 14)	895,071	904,535
Total Liabilities and Net Position	**$ 11,495,678**	**$ 11,505,254**

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

DEPARTMENT OF THE TREASURY UNITED STATES MINT
STATEMENTS OF NET COST

(dollars in thousands)

	For the years ended September 30, 2010	2009
Numismatic Production and Sales		
Gross Cost	$ 3,157,758	$ 2,054,905
Less Earned Revenue (Note 16)	(3,250,844)	(2,109,436)
Net Program Cost (Revenue)	(93,086)	(54,531)
Numismatic Production and Sales of Circulating Coins		
Gross Cost	5,740	6,145
Less Earned Revenue (Note 16)	(5,740)	(6,145)
Net Program Cost	–	–
Circulating Production and Sales		
Gross Cost	317,357	349,843
Less Earned Revenue (Note 16)	(317,357)	(349,843)
Net Program Cost	–	–
Net Program Cost (Revenue) Before Protection of Assets	(93,086)	(54,531)
Protection of Assets		
Protection Costs	41,547	41,102
Less Earned Revenue (Note 16)	(3)	–
Net Cost of Protection Assets	41,544	41,102
Net Cost (Revenue) from Operations (Notes 14 and 15)	**$ (51,542)**	**$ (13,429)**

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

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

(dollars in thousands)

	For the years ended September 30, 2010	2009
Cumulative Results of Operations		
Net Position, Beginning of Year - Earmarked Funds (Note 14)	$ 904,535	$ 906,374
Financing Sources:		
Transfers to the Treasury General Fund On-Budget (Note 19)	(13,000)	(35,000)
Transfers to the Treasury General Fund Off-Budget (Note 19)	(375,000)	(440,000)
Other Financing Sources (Seigniorage) (Note 16)	312,814	447,068
Imputed Financing Sources (Note 11)	14,180	11,834
Transfers in Without Reimbursement	–	830
Total Financing Sources	(61,006)	(15,268)
Net Revenue from Operations	51,542	13,429
Net Position, End of Year - Earmarked Funds (Note 14)	**$ 895,071**	**$ 904,535**

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

DEPARTMENT OF THE TREASURY UNITED STATES MINT
STATEMENTS OF BUDGETARY RESOURCES

(dollars in thousands)

	For the years ended September 30, 2010	2009
Budgetary Resources		
Unobligated balance, brought forward October 1	$ 245,683	$ 50,858
Recoveries of prior-year unpaid obligations	28,879	54,939
Budget authority		
Spending authority from offsetting collections		
Earned		
Collected	3,519,214	2,467,058
Change in receivable from federal sources	50	7
Change in unfilled customer orders		
Advance received	136	(9,313)
Without advance from federal sources	792	(369)
Subtotal	3,520,192	2,457,383
Permanently not available	(13,000)	(35,000)
Total Budgetary Resources	**$ 3,781,754**	**$ 2,528,180**
Status of Budgetary Resources		
Obligations incurred		
Reimbursable (Note 17 and Note 21)	$ 3,670,761	$ 2,282,497
Unobligated balances		
Apportioned	110,993	245,683
Total Status of Budgetary Resources	**$ 3,781,754**	**$ 2,528,180**
Change in Obligated Balances		
Obligated balance, net		
Unpaid obligations, brought forward, October 1	$ 190,523	$ 259,645
Less: Uncollected customer payments from federal sources, brought forward, October 1	(6,755)	(7,117)
Total unpaid obligated balance, net	183,768	252,528
Obligations incurred, net (Note 17)	3,670,761	2,282,497
Gross outlays	(3,603,950)	(2,296,680)
Recoveries of prior-year unpaid obligations, actual	(28,879)	(54,939)
Change in uncollected customer payments from federal sources	(842)	362
Obligated balance, net, end of the period		
Unpaid obligations	228,454	190,523
Uncollected customer payments from federal sources	(7,598)	(6,755)
Total unpaid obligated balance, net, end of period	220,856	183,768
Net Outlays		
Net outlays		
Gross outlays	3,603,950	2,296,680
Collections	(3,519,349)	(2,457,745)
Total Outlays	**$ 84,601**	**$ (161,065)**

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

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended September 30, 2010 and 2009

(dollars are in thousands except Fine Troy Ounce information)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY Established in 1792, the United States Mint is a bureau of the Department of the Treasury (Treasury). The mission of the United States Mint is as follows: To manufacture and distribute circulating coins, precious metals and collectible coins, and national medals to meet the needs of the United States. 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 Treasury-owned gold and silver bullion reserves. These custodial reserves are often referred to as "deep storage" and "working stock," and are reported on the Balance Sheet.

The production of numismatic products is financed through sales to the public. The production of circulating coinage is financed through sales of coins at face value to the Federal Reserve Banks (FRB). Additionally, the United States Mint sells certain circulating products directly to the public as numismatic items. Activities related to protection of Treasury-owned custodial assets are funded by the United States Mint Public Enterprise Fund (PEF).

Pursuant to Public Law (P.L.) 104-52, *Treasury, Postal Service, and General Government Appropriation Act for FY 1996*, as codified at 31 U.S.C. § 5136, the PEF was established to account for all receipts and expenses related to production and sale of numismatic items and circulating coinage, as well as protection activities. Expenses accounted for in the PEF include the entire cost of operating the United States Mint. Any amount in the PEF that is determined to be in excess of the amount required by the PEF shall be transferred to the Treasury General Fund.

Treasury's Bullion Fund (Bullion Fund) is used to account for Treasury-owned gold and silver reserves. A separate Schedule of Custodial Deep Storage Gold and Silver Reserves has been prepared for the deep storage portion of the Treasury-owned gold and silver reserves for which the United States 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 United States Mint's financial statements have been prepared to report the financial position, net cost of operations, changes in net position, and budgetary resources, as required by 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 without first being sold 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 FRB. Revenue from the sale of circulating coins is recognized when the product is shipped to the FRB. Revenue from the sale of circulating coins to the FRB and numismatic sales of circulating coins to the public is limited to the recovery of the cost of manufacturing and distributing those coins.

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. Seigniorage is recognized when coins are shipped to the FRB in return for deposits to the PEF.

Rental Revenue: The United States Mint sublets office space at cost to other Federal entities in the two leased buildings in Washington, DC. In addition, a commercial vendor subleases a portion of the first floor space of the building at 801 9th Street, NW.

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

ACCOUNTS RECEIVABLE Accounts receivable are amounts due to the United States 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 United States Mint will continue collection action on those accounts that are more than 180 days past due, as specified by the *Debt Collection Improvement Act of 1996*.

INVENTORIES Inventories of circulating and numismatic coinage are valued at either cost or market, whichever is lower. 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 United States 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).

TREASURY-OWNED CUSTODIAL GOLD AND SILVER BULLION RESERVES Treasury-owned gold and silver reserves consist of both "deep storage" and "working stock" gold and silver.

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

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

Treasury allows the United States Mint to use some of its gold and silver as working stock. Generally, the United States Mint does not deplete the working stock when used in production. Instead, the United States Mint will purchase a like amount of gold and silver on the open market to replace the working stock used. In those rare cases in which the gold or silver is depleted, the United States Mint reimburses Treasury the current market value of the depleted gold or silver.

SUPPLIES Supplies are items that are not considered inventory and are not a part of the finished product. These items include plant engineering and maintenance supplies, 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 advances and prepaid expenses at the time of prepayment, and are expensed when related goods and services are received.

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

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

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

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

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

SURCHARGES Legislation authorizing commemorative coin programs often requires 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 United States Mint's operating costs for the coin program are fully recovered. The United States Mint may make interim surcharge payments during a commemorative program if the recipient organization meets the eligibility criteria in the authorizing legislation, if the recovery of all costs of the program is determinable, and if the United States Mint 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, and recipient organizations must prove compliance with Title VI of the Civil Rights Act of 1964. A recipient organization has two years from the end of the program to meet the matching requirement.

EARMARKED FUNDS Pursuant to P.L. 104-52, the PEF was established as the sole funding source for United States Mint activities. The PEF meets the requirements of an earmarked fund as defined in Statement of Federal Financial Accounting Standard (SFFAS) 27, *Identifying and Reporting Earmarked Funds*. As non-entity and non-PEF assets, the Treasury-owned gold and silver bullion reserves are not considered to be earmarked funds.

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 United States Mint will not accept partial returns or issue partial refunds. Historically, the United States Mint receives few returns, which are immaterial. Therefore, no reserve for returns is considered necessary.

SHIPPING AND HANDLING The United States 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 United States Mint's general and administrative expenses.

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

ACCRUED WORKERS' COMPENSATION AND OTHER ACTUARIAL LIABILITIES The Federal Employees' Compensation Act (FECA) provides income and medical cost protection to cover Federal civilian employees injured on the job 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 United States Mint for these paid claims.

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

PROTECTION COSTS Treasury-owned gold and silver reserves are in the custody of the United States Mint, which is responsible for safeguarding the reserves. These costs are borne by the United States Mint, but are not directly related to the circulating or numismatic coining operations of the

United States Mint. The Protection Department is a separate function from coining operations and is responsible for safeguarding the reserves as well as United States Mint 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 United States Mint. Coins that are chipped, fused and/or not machine-countable are considered mutilated. The United States Mint reimburses the entity that sent in the mutilated coins, using weight formulas that estimate the face value of these coins. 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 FRB. The FRB then seeks replacement coins from the United States Mint. All mutilated or uncurrent coins received by the United States Mint are sold to its fabrication contractors to be processed into coils or blanks to be used in future coin production.

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

CONCENTRATIONS The United States Mint purchases the coil and blanks used in the production of circulating coins from three vendors at competitive market prices. The United States Mint also purchases precious metal blanks from five different suppliers, an increase of one supplier from FY 2009.

CONTINGENT LIABILITIES Certain conditions 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 United States 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 United States Mint transfers amounts determined to be in excess of the amounts required for United States Mint operations and programs to the Treasury General Fund periodically throughout the fiscal year.

Seigniorage derived from the sale of circulating coins and from net income from the revenues generated by 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 to reduce the annual budget deficit. Instead, they are used as a financing source (i.e., they reduce the amount of cash that Treasury has to borrow to pay interest on the national debt).

Revenues generated from the sale of numismatic products are 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.

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

HEDGING The United States Mint engages in a hedging program to avoid fluctuation in silver costs as a result of the changes in market prices. The United States Mint purchases silver in large quantities and sells an interest in that silver to a trading partner, while maintaining physical custody and title to the silver. Sales of silver to the trading partner are made at the same spot price that the United States Mint paid to obtain the silver on the open market. The partner's interest in United States Mint silver is reduced as finished silver 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 United States Mint. Repurchases are made on the same day as sales, in the same quantity sold, and using the same spot price as was used for the sale to the AP. Each sale to and from the trading partner carries a small transaction fee, the selling and buying fees net to a cost of one-half cent per ounce. The United States Mint incurred $170 thousand in hedging fees in FY 2010, compared to $121 thousand incurred in FY 2009.

2. NON-ENTITY ASSETS

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

	2010	2009
Custodial Gold Reserves (Deep Storage)	$ 10,355,539	$ 10,355,539
Custodial Silver Reserves (Deep Storage)	9,148	9,148
Custodial Gold Reserves (Working Stock)	117,514	117,514
Custodial Silver Reserves (Working Stock)	11,539	11,539
Total Non-entity Assets	10,493,740	10,493,740
Total Entity Assets	1,001,938	1,011,514
Total Assets	**$ 11,495,678**	**$ 11,505,254**

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

3. FUND BALANCE WITH TREASURY

Fund Balance with Treasury as of September 30 consists of the following:

	2010	2009
Revolving Fund	$ 331,850	$ 429,451
Other	94	25
Total Fund Balance with Treasury	**$ 331,944**	**$ 429,476**
Status of Fund Balance with Treasury		
Unobligated Balance	$ 110,993	$ 245,683
Obligated Balance, Not Yet Disbursed	220,857	183,768
Non-Budgetary FBWT	94	25
Total	**$ 331,944**	**$ 429,476**

The United States Mint does not receive appropriated budget authority. The Fund Balance with Treasury is entirely available for use to support United States Mint operations. At September 30, 2010 and 2009, the revolving fund balance included $13.1 million and $7.3 million, respectively, in restricted amounts for possible payment of surcharges to recipient organizations.

4. ACCOUNTS RECEIVABLE, NET

Components of accounts receivable are as follows:

	September 30, 2010		
	Gross Receivables	Allowance	Net Receivables
Intragovernmental	$ 6,402	($5,946)	$ 456
With the Public	9,055	(1,690)	7,365
Total Accounts Receivable	**$ 15,457**	**($7,636)**	**$ 7,821**

	September 30, 2009		
	Gross Receivables	Allowance	Net Receivables
Intragovernmental	$ 6,352	($5,946)	$ 406
With the Public	8,427	(1,537)	6,890
Total Accounts Receivable	**$ 14,779**	**($7,483)**	**$ 7,296**

The Intragovernmental accounts receivable as of September 30, 2010 and 2009 was $6.4 million. This largely represents amounts due to the United States Mint for a joint numismatic product with another Federal entity. Management determined that the collection of $5.9 million related to the program was in doubt and has included that amount in the Allowance for Doubtful Accounts. Receivables with the public at September 30, 2010, are $9.1 million, of which $6.1 million is owed by fabricators for scrap and webbing, in addition to amounts owed by the public for numismatic products. This compares to receivables with the public at September 30, 2009, of $8.4 million, of which $1.6 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 as of September 30 are as follows:

	2010	2009
Intragovernmental	$ 3,178	$ 2,877
With the Public	2	2
Total Advances and Prepayments	**$ 3,180**	**$ 2,879**

Intragovernmental advances and prepayments as of September 30, 2010 and 2009 include $1.7 million and $2.1 million, respectively, that the United States Mint paid the Treasury Working Capital Fund for a variety of centralized services. The remaining balance of approximately $1.4 million represents payments made to the United States Postal Service for product delivery services as of September 30, 2010, compared to approximately $700 thousand paid at September 30, 2009. Advances with the public for both FY 2010 and 2009 are outstanding travel advances to United States Mint employees who were traveling on government business.

6. CUSTODIAL GOLD AND SILVER BULLION RESERVES

As custodian, the United States Mint is responsible for safeguarding much of the Treasury-owned gold and silver bullion 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 entire custodial reserves held by the United States Mint.

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

	2010	2009
Gold - Deep Storage:		
Inventories (FTO)	245,262,897	245,262,897
Market Value ($ per FTO)	$ 1,307.00	$ 995.75
Market Value ($ in thousands)	$ 320,558,606	$ 244,220,530
Statutory Value ($ in thousands)	$ 10,355,539	$ 10,355,539
Gold - Working Stock:		
Inventories (FTO)	2,783,219	2,783,219
Market Value ($ per FTO)	$ 1,307.00	$ 995.75
Market Value ($ in thousands)	$ 3,637,667	$ 2,771,390
Statutory Value ($ in thousands)	$ 117,514	$ 117,514
Silver - Deep Storage:		
Inventories (FTO)	7,075,171	7,075,171
Market Value ($ per FTO)	$ 22.07	$ 16.45
Market Value ($ in thousands)	$ 156,149	$ 116,387
Statutory Value ($ in thousands)	$ 9,148	$ 9,148
Silver - Working Stock:		
Inventories (FTO)	8,924,829	8,924,829
Market Value ($ per FTO)	$ 22.07	$ 16.45
Market Value ($ in thousands)	$ 196,971	$ 146,813
Statutory Value ($ in thousands)	$ 11,539	$ 11,539
Total Market Value of Custodial Gold and Silver Reserves ($ in thousands)	**$ 324,549,393**	**$ 247,255,119**
Total Statutory Value of Custodial Gold and Silver Reserves ($ in thousands)	**$ 10,493,740**	**$ 10,493,740**

7. INVENTORY

The components of inventories as of September 30 are summarized below:

	2010	2009
Raw Materials	$ 243,903	$ 191,320
Work-In-Process	109,933	68,364
Inventory held for current sale	97,724	95,216
Total Inventory	**$ 451,560**	**$ 354,900**

Raw materials consist of unprocessed materials and by-products of the manufacturing process and the metal value of unusable inventory, such as scrap or condemned coins, that will be recycled into a usable raw material. In addition, as of September 30, 2010 and 2009, the raw material inventory includes $33.1 million and $88.0 million, respectively, in fair market value silver hedge activity, of which additional information can be found in note 20. Work-In-Process consists of semi-finished materials.

8. PROPERTY, PLANT AND EQUIPMENT, NET

Components of property, plant and equipment are as follows:

		September 30, 2010	
	Asset Cost	Accumulated Depreciation and Amortization	Total Property, Plant and Equipment, Net
Land	$ 2,529	$ –	$ 2,529
Structures, Facilities and Leasehold Improvements	217,840	(141,780)	76,060
Computer Equipment	30,229	(28,332)	1,897
Software	19,136	(18,014)	1,122
Construction-In-Progress	9,305	–	9,305
Machinery and Equipment	275,091	(175,709)	99,382
Total Property, Plant and Equipment, Net	**$ 554,130**	**($363,835)**	**$ 190,295**

		September 30, 2009	
	Asset Cost	Accumulated Depreciation and Amortization	Total Property, Plant and Equipment, Net
Land	$ 2,529	$ –	$ 2,529
Structures, Facilities and Leasehold Improvements	203,374	(132,661)	70,713
Computer Equipment	29,352	(27,703)	1,649
Software	57,099	(55,305)	1,794
Construction-In-Progress	17,125	–	17,125
Machinery and Equipment	265,843	(159,505)	106,338
Total Property, Plant and Equipment, Net	**$ 575,322**	**($375,174)**	**$ 200,148**

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

Depreciation and amortization expenses charged to operations during the years ended September 30, 2010 and 2009, were $32.7 million and $34.2 million, respectively.

9. HERITAGE ASSETS

The United States Mint maintains collections of heritage assets which are any property, plant or equipment that is retained by the United States Mint for its historic, natural, cultural, educational or artistic value or significant architectural characteristics. For example, the United States Mint's Historical Artifacts contain, among other things, examples of furniture and equipment used in the United States Mint 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 United States Mint over the years, separated into collections of pattern pieces/prototypes, coin specimens, quality samples and exotic metal coin samples. The building housing the United States Mint at Denver, is considered a multi-use heritage asset. The United States Mint generally does not place a value on heritage assets, even though some of the coins and artifacts are priceless. However, the assets are accounted for and controlled for protection and conservation purposes. Heritage assets held by the United States Mint are generally in acceptable physical condition. The following chart represents the United States Mint's various collections and historical artifacts.

Coin Collections	Quantity of Collections Held September 30,	
	2010	2009
Pattern Pieces/Prototypes	1	1
Coin Specimens	1	1
Quality Samples	1	1
Exotic Metal Coin Samples	1	1
Total	**4**	**4**

Historical Artifacts	Quantity of Collections Held September 30,	
	2010	2009
Antiques/Artifacts	1	1
Plasters	1	1
Galvanos	1	1
Dies	1	1
Punches	1	1
Historical Documents	1	1
Multi-use heritage asset (United States Mint at Denver, CO)	1	1
Total	**7**	**7**

10. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

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

	2010	2009
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	25
Total Liabilities Not Covered by Budgetary Resources	**$ 10,493,834**	**$ 10,493,765**
Total Liabilities Covered by Budgetary Resources	106,773	106,954
Total Liabilities	**$ 10,600,607**	**$ 10,600,719**

Liabilities not covered by budgetary resources represent the United States Mint's custodial liabilities to the Treasury that are entirely offset by Treasury-owned gold and silver bullion reserves held by the United States Mint on behalf of the Federal Government. The category "Other" represents the refundable security deposit received from the commercial tenant in the Headquarters building.

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

The United States Mint contributes seven percent of basic pay for employees participating in the Civil Service Retirement System (CSRS). 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 United States Mint 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 $16,500 for calendar year 2010. Employees participating in FERS are covered by the Federal Insurance Contribution Act (FICA), for which the United States Mint contributes a matching amount to the Social Security Administration.

Although the United States Mint contributes a portion for pension benefits and makes the necessary payroll deductions, it is not responsible for administering either CSRS or FERS. Administering and reporting on pension benefit programs are the responsibility of the Office of Personnel Management (OPM). OPM has provided the United States Mint with certain cost factors that estimate the cost of providing the pension benefit to current employees. The cost factors of 30.1 percent of basic pay for CSRS-covered employees and 13.8 percent of basic pay for FERS-covered employees were in use for FY 2010. The CSRS factor increased 4.3 percent over FY 2009, and the FERS factor increased 1.5 percent over FY 2009.

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

	2010	2009
Social Security System	$ 7,437	$ 6,866
Civil Service Retirement System	1,514	1,864
Federal Employees Retirement System		
(Retirement and Thrift Savings Plan)	12,157	11,593
Total Retirement Plans and Other Post-employment Cost	**$ 21,108**	**$ 20,323**

The United States 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 $5,906 and $5,756 per employee enrolled in the Federal Employees Health Benefits Program in FY 2010 and FY 2009, respectively. The cost factor relating to life insurance is two-one hundredths percent (.02%) of basic pay for employees enrolled in the Federal Employees Group Life Insurance Program for both FY 2010 and FY 2009.

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

	2010	2009
Health Benefits	$ 8,748	$ 8,738
Life Insurance	21	24
Pension Expense	5,411	3,072
Total Imputed Retirement and Postemployment Costs	**$ 14,180**	**$ 11,834**

12. LEASE COMMITMENTS

THE UNITED STATES MINT AS LESSEE: The United States Mint leases office and warehouse space from commercial vendors, the General Services Administration (GSA) and the Bureau of Engraving and Printing. In addition, the agency leases copier and other office equipment from commercial vendors and vehicles from GSA. With the exception of the commercial leases on two office buildings in Washington, DC, all leases are one-year, or one-year with renewable option years. The two building leases in Washington, DC have terms of 20 and 10 years. Because all of the United States Mint's leases can be canceled, there are no minimum lease payments due.

THE UNITED STATES MINT AS LESSOR: The United States Mint sublets office space at cost to several other Federal entities in the two leased buildings in Washington, DC. These subleases vary from one year with option years to multiple-year terms. As of September 30, 2010, the United States Mint sublet in excess of 209,000 square feet in the two leased buildings. As of September 30, 2010, tenants include the Internal Revenue Service, Treasury Executive Institute, Bureau of the Public Debt, U.S. Customs and Border Protection, and U.S. Marshals Service. All of the subleases are operating leases and subject to annual availability of funding. The United States Mint has also entered into an agreement to sublet space in the Headquarters building to a commercial tenant. The United States Mint received a security deposit from the tenant of $94,500. The tenant opened for business in late September 2010, and the first rental payment was received in October 2010. The first two years of the lease offer substantial discounts. Years three through nine are at the full rental amount.

Future Projected Receipts	Building Sub-lease
Year 1 (FY 2011)	$ 37,800
Year 2 (FY 2012)	302,400
Year 3 (FY 2013)	378,000
Year 4 (FY 2014)	378,000
Year 5 (FY 2015)	378,000
Years 6-9 (FY 2016 - FY 2019)	1,617,840
Total Future Operating Lease Receipts	$ 3,092,040

13. CONTINGENCIES

The United States Mint is subject to legal proceedings and claims which arise in the ordinary course of its business. Judgments, if any, resulting from pending litigation against the United States Mint generally would be satisfied from the PEF. Likewise, under the *Notification and Federal Employee Antidiscrimination and Retaliation Act of 2002* (No FEAR Act, P. L. 107-174), settlements and judgments related to acts of discrimination and retaliation for whistle blowing will be paid from the PEF. In the opinion of management, the ultimate resolution of these actions will not materially affect the United States Mint's financial position or the results of its operations.

The Chief Counsel of the United States Mint provided a Legal Representation Letter reflecting no expected loss resulting from pending legal cases. However, the United States Mint was notified of a No FEAR Act case settlement of $10,000, which was accrued as a liability in the United States Mint's general ledger as of September 30, 2010.

14. EARMARKED FUNDS

Pursuant to 31 U.S.C. § 5136, "all receipts from United States Mint operations and programs, including the production and sale of numismatic items, the production and sale of circulating coinage at face value to the FRB, the protection of government assets, and gifts and bequests of property, real or personal shall be deposited into the PEF and shall be available to fund its operations without fiscal year limitations." The PEF meets the requirements of an earmarked fund as defined in SFFAS 27, *Identifying and Reporting Earmarked Funds*. As non-entity and non-PEF assets, the Treasury-owned gold and silver bullion reserves are not included in the earmarked funds.

15. INTRAGOVERNMENTAL COSTS AND EARNED REVENUE

Intragovernmental costs and earned revenue reflect transactions in which both the buyer and seller are Federal entities. Revenue with the public reflects transactions for goods or services with a non-Federal entity. 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.

	2010	2009
Numismatic Production and Sales		
Cost:		
Intragovernmental:		
Selling, General and Administrative	$ 20,140	$ 18,599
Imputed Costs	4,335	2,367
Total Intragovernmental Costs	24,475	20,966
Public:		
Cost of Goods Sold	3,069,173	1,974,075
Selling, General and Administrative	64,110	59,864
Total Public Cost	3,133,283	2,033,939
Gross Cost	3,157,758	2,054,905
Revenue:		
Intragovernmental:		
Rent Revenues	10,790	10,068
Other Intragovernmental Revenues	65	146
Total Intragovernmental Revenues	10,855	10,214
Public	3,239,989	2,099,222
Total Earned Revenue	3,250,844	2,109,436
Net Program Cost (Revenue)	**$ (93,086)**	**$ (54,531)**

	2010	2009
Numismatic Production and Sales of Circulating Coins		
Cost:		
Intragovernmental:		
Selling, General and Administrative	$ 549	$ 684
Total Intragovernmental Costs	549	684
Public:		
Cost of Goods Sold	3,444	3,258
Selling, General and Administrative	1,747	2,203
Total Public Cost	5,191	5,461
Gross Cost	5,740	6,145
Revenue:		
Public	5,740	6,145
Total Earned Revenue	5,740	6,145
Net Program Cost (Revenue)	**$ –**	**$ –**

	2010	2009
Circulating Production and Sales		
Cost:		
Intragovernmental:		
Selling, General and Administrative	$ 12,608	$ 15,043
Imputed Costs	9,844	9,466
Total Intragovernmental Costs	22,452	24,509
Public:		
Cost of Goods Sold	220,932	225,556
Selling, General and Administrative	65,559	83,078
Other Costs and Expenses (Mutilated and Uncurrent)	8,414	16,700
Total Public Cost	294,905	325,334
Gross Cost	317,357	349,843
Revenue:		
Public	317,357	349,843
Total Earned Revenue	317,357	349,843
Net Program Cost	**$ –**	**$ –**
Net Program Cost (Revenue) Before Protection of Assets	**$ (93,086)**	**$ (54,531)**
Protection of Assets		
Public:		
Protection Cost	$ 41,547	$ 41,102
Total Earned Revenue	$ 3	$ –
Net Cost of Protection of Assets	**$ 41,544**	**$ 41,102**
Net Cost (Revenue) from Operations	**$ (51,542)**	**$ (13,429)**

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:

	2010	2009
Revenue-FRB	$ 317,357	$ 349,843
Seigniorage-FRB	300,887	427,768
Total Circulating Coins	**$ 618,244**	**$ 777,611**
Revenue-with the public	$ 5,740	$ 6,145
Seigniorage-with the public	11,927	19,300
Total Numismatic Sales of Circulating Coins	**$ 17,667**	**$ 25,445**
Total Seigniorage	**$ 312,814**	**$ 447,068**

17. APPORTIONMENT CATEGORIES OF OBLIGATIONS INCURRED

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

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 2010 is expected to be published in February 2011 and made available through OMB. Therefore, the analysis presented here is for the prior year (FY 2009) "actual" figures published in the President's budget in February 2010. The following chart displays the comparison of the FY 2009 SBR and the actual FY 2009 balances included in the FY 2011 President's Budget.

	September 30, 2009	
	Statement of Budgetary Resources	President's Budget (rounded to millions)
United States Mint Public Enterprise Fund		
Total Budgetary Resources	2,528,180	2,528
Status of Budgetary Resources:		
Obligations Incurred	2,282,497	2,282
Unobligated Balances-available	245,683	246
Total Status of Budgetary Resources	2,528,180	2,528
Net Outlays	**161,065**	**161**

19. LEGAL ARRANGEMENTS AFFECTING USE OF UNOBLIGATED BALANCES

The United States Mint PEF establishes that all receipts from United States Mint operations and programs, including the production and sale of numismatic items, the production and sale of circulating coinage, the protection of government assets, and gifts and bequests of property, real or personal, shall be deposited into the United States Mint PEF and shall be available without fiscal year limitations. Any amount that is in excess of the amount required by the United States Mint to cover obligations of the PEF shall be transferred to the Treasury for deposit as miscellaneous receipts. At September 30, 2010 and 2009, the United States Mint transferred excess receipts to the Treasury General Fund of $388 million and $475 million, respectively.

20. HEDGING PROGRAM

At September 30, 2010 and 2009, hedging activity of $33.1 million and $88.0 million included in inventory represents the value of the silver sold to the trading partner and not yet sold by the United States Mint and, therefore, not repurchased from the trading partner. In FY 2010, the United States Mint recorded an unrealized gain from hedging activity of $2.5 million, compared with $43 thousand in FY 2009.

21. RECONCILIATION OF NET COST OF OPERATIONS TO BUDGET

	For The Years Ended September 30, 2010	2009
Resources Used to Finance Activities:		
Budgetary Resources Obligated		
Obligations Incurred	$ 3,670,761	$ 2,282,497
Less: Spending Authority from		
Offsetting Collections and Recoveries	3,549,070	2,512,322
Net Obligations	121,691	(229,825)
Other Resources		
Transfers to the Treasury General Fund On-Budget	(13,000)	(35,000)
Transfers to the Treasury General Fund Off-Budget	(375,000)	(440,000)
Imputed Financing from Costs Absorbed by Others	14,180	11,834
Other Financing Sources (Seigniorage)	312,814	447,068
Transfers in without reimbursement	–	830
Net Other Resources Used to Finance Activities	(61,006)	(15,268)
Total Resources Used to Finance Activities	**60,685**	**(245,093)**
Resources Used to Finance Items Not Part of the Net Cost of Operations:		
Change in Budgetary Resources Obligated for Goods, Services and Benefits Ordered but Not Yet Provided	43,347	(61,195)
Resources that Fund Expenses Recognized in Prior Periods	–	(2,287)
Resources that Finance the Acquisition of Assets or Liquidation of Liabilities	370,845	468,837
Other	(14,593)	(35,118)
Total Resources Used to Finance Items Not Part of the Net Cost of Operations	399,599	370,237
Total Resources Used to Finance the Net Cost of Operations	**(338,914)**	**(615,330)**
Components not Requiring or Generating Resources in the Current Period		
Depreciation and Amortization	32,665	34,226
Revaluation of Assets	(1,204)	623
Other	255,911	567,052
Total Components of Net Revenue from Operations that will not Require or Generate Resources	287,372	601,901
Total Components of Net Revenue from Operations that will not Require or Generate Resources in the Current Period	**287,372**	**601,901**
Net Revenue from Operations	**$ (51,542)**	**$ (13,429)**

22. UNDELIVERED ORDERS AT THE END OF THE PERIOD

Budgetary resources obligated for undelivered orders as of September 30, 2010 and 2009 were $139,762 and $95,487, respectively.

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

For the Years Ended September 30, 2010 and 2009

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 United States Mint is steward of a large, unique and diversified body of heritage assets that demonstrate the social, educational and cultural heritage of the United States Mint. These items include a variety of rare and semi-precious coin collections and historical artifacts, and are held at various United States Mint locations. Some of these items are placed in locked vaults within the United States Mint, where access is limited to only special authorized personnel. Other items are on full display to the public, requiring little if any authorization to view. Included in the heritage assets is the multi-use heritage asset of the building housing the United States Mint at Denver. The United States Mint generally does not place a value on heritage assets, even though some of the coins and artifacts are priceless. However, the assets are accounted for and controlled for protection and conservation purposes. Heritage assets held by the United States Mint are generally in acceptable physical condition, and there is no deferred maintenance on the United States Mint at Denver building.

KPMG LLP
2001 M Street, NW
Washington, DC 20036-3389

Independent Auditors' Report on Internal Control Over Financial Reporting

Inspector General
United States Department of the Treasury

Director
United States Mint:

We have audited the balance sheets of the United States Mint as of September 30, 2010 and 2009 and the related statements of net cost, changes in net position, and combined statements of budgetary resources (hereinafter referred to as "financial statements") for the years then ended, and have issued our report thereon dated December 2, 2010.

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

The management of the United States Mint is responsible for establishing and maintaining effective internal control. In planning and performing our fiscal year 2010 audit, we considered the United States Mint's internal control over financial reporting by obtaining an understanding of the design effectiveness of United States Mint's internal control, determining whether internal controls had been placed in operation, assessing control risk, and performing tests of controls as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the United States Mint's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the United States Mint's internal control over financial reporting. 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the third paragraph of this report and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. In our fiscal year 2010 audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

We noted certain additional matters that we have reported to management of the United States Mint in a separate letter dated December 2, 2010.

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

KPMG LLP

December 2, 2010

KPMG LLP
2001 M Street, NW
Washington, DC 20036-3389

Independent Auditors' Report on Compliance and Other Matters

Inspector General
United States Department of the Treasury

Director
United States Mint:

We have audited the balance sheets of the United States Mint as of September 30, 2010 and 2009, and the related statements of net cost, changes in net position, and combined statements of budgetary resources (hereinafter referred to as "financial statements") for the years then ended, and have issued our report thereon dated December 2, 2010.

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

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

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

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

We noted certain additional matters that we have reported to management of the United States Mint in a separate letter dated December 2, 2010.

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

KPMG LLP

December 2, 2010

APPENDIX I: FY 2010 COIN AND MEDAL PRODUCTS

SENATOR EDWARD WILLIAM BROOKE III BRONZE MEDAL

Coin Awarded: October 28, 2009

Description: This Congressional Gold Medal honors Senator Edward William Brooke III for his unprecedented and enduring service to our Nation. Brooke was the first African-American elected by popular vote to the United States Senate. He served with distinction for two terms from January 3, 1967, to January 3, 1979. The Medal's obverse features an image of Senator Brooke. The reverse depicts the United States Capitol Building at the top and the Massachusetts State House at the bottom between two olive branches. The middle of the reverse design contains the inscription *AMERICA'S GREATNESS LIES IN ITS WONDROUS DIVERSITY*, *OUR MAGNIFICENT PLURALISM HAS MADE THIS COUNTRY GREAT*, *OUR EVER-WIDENING DIVERSITY WILL KEEP US GREAT*.

THE WOMEN AIRFORCE SERVICE PILOTS BRONZE MEDAL

Coin Awarded: March 10, 2010

Description: This Congressional Gold Medal honors the Women Airforce Service Pilots (WASP) of World War II in recognition of their pioneering military service that led to reform in the U.S. Armed Forces. The WASP was composed of the first women in history to fly American military aircraft. They flew more than 60 million miles in every type of aircraft and on every type of assignment performed by their male counterparts, except combat missions. The Medal's obverse depicts the portrait of a WASP and three pilots in period uniforms walking toward their aircrafts. An airborne AT-6 is featured in the background. The reverse design features the three aircrafts the WASP flew during their training at Avenger Field near Sweetwater, Texas: the AT-6, the B-26 (Martin Marauder) and the P-51.

2010 AMERICAN VETERANS DISABLED FOR LIFE COMMEMORATIVE COIN

Coin Release: February 25, 2010

Mintage Limit: 350,000 across all product options

Description: The American Veterans Disabled for Life Commemorative Coin Act was passed by Congress and signed into law on July 17, 2008. The images on the 2010 American Veterans Disabled for Life Silver Dollar capture our disabled veterans' courage, loyalty and sacrifice. The obverse features the legs of three veterans and the inscription *THEY STOOD FOR US*. The reverse design depicts a forget-me-not flower at the base of a wreath of ribbons and oak branches. The oak branches represent strength, while the forget-me-not is a widely recognized icon of those who fought and became disabled in World War I. Surcharges from the program were authorized to be paid to the Disabled Veterans' LIFE Memorial Foundation to support the construction of the American Veterans Disabled for Life Memorial in Washington, D.C.

BOY SCOUTS OF AMERICA CENTENNIAL SILVER DOLLAR COMMEMORATIVE COIN

Coin Release: March 23, 2010

Mintage Limit: 350,000 across all product options

Description: The Boy Scouts of America Centennial Commemorative Coin Act, signed into law on October 8, 2008, commemorates the centennial anniversary of the Boy Scouts of America. The largest youth organization in the United States, the Boy Scouts of America has 2.8 million youth members and 1.1 million adult leaders. The coin's obverse represents the Boy Scouts of America of today, depicting a traditional Boy Scout as well as a younger Cub Scout and an older female Venturer saluting. The reverse design features the Boy Scouts of America's universal emblem. Surcharges from the program were authorized to be paid to the National Boy Scouts of America Foundation, which will make funds available to local councils for extension of scouting in hard-to-serve areas.

THE HOT SPRINGS NATIONAL PARK QUARTER – ARKANSAS

Coin Release: April 20, 2010
Mintage for Circulation: 69,600,000
Description: The Hot Springs National Park quarter is the first in the America the Beautiful Quarters® Program. Hot Springs was first established as a national site on April 20, 1832 (4 Stat. 505), to conserve the water from the 47 springs that emerge from Hot Springs Mountain and ensure that water was available for drinking and therapy. The quarter's reverse image depicts the façade of the Hot Springs National Park headquarters building with a thermal fountain in the foreground.

THE YELLOWSTONE NATIONAL PARK QUARTER – WYOMING

Coin Release: June 3, 2010
Mintage for Circulation: 68,400,000
Description: The Yellowstone National Park quarter is the second in the America the Beautiful Quarters Program. First established as a national site on March 1, 1872 (17 Stat. 32), Yellowstone National Park is home to a large variety of wildlife, including grizzly bears, wolves, bison and elk. Preserved within the park are Old Faithful and a collection of the world's most extraordinary geysers. The reverse design features Old Faithful with a mature bull bison in the foreground.

THE YOSEMITE NATIONAL PARK QUARTER – CALIFORNIA

Coin Release: July 26, 2010
Mintage for Circulation: 70,000,000
Description: The Yosemite National Park quarter is the third in the America the Beautiful Quarters Program. Yosemite National Park is best known for its waterfalls, but within its nearly 1,200 square miles are deep valleys, grand meadows and ancient giant sequoias. It was first established as a national site on October 1, 1890 (26 Stat. 650). The reverse image depicts the iconic El Capitan, which rises more than 3,000 feet above the valley floor and is the largest monolith of granite in the world.

THE GRAND CANYON NATIONAL PARK QUARTER – ARIZONA

Coin Release: September 20, 2010
Mintage for Circulation: 70,200,000
Description: The Grand Canyon National Park quarter is the fourth in the America the Beautiful Quarters Program. The Grand Canyon was first established as a national site on February 20, 1893 (27 Stat. 469). A powerful and inspiring landscape, the Grand Canyon spans 277 river miles and is 18 miles wide and one mile deep. The reverse image features a view of the granaries above the Nankoweap Delta in Marble Canyon near the Colorado River. Granaries were used for storing food and seeds (A.D. 500).

2009 COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS QUARTER

Coin Release: November 30, 2009
Mintage for Circulation: 72,800,000
Description: The Commonwealth of the Northern Mariana Islands commemorative quarter-dollar is the sixth and final coin in the United States Mint 2009 District of Columbia and U.S. Territories Quarters Program. The reverse represents the islands' wealth of natural resources. Near the shore stands a large limestone latte, the supporting column of ancient indigenous Chamorro structures. A canoe of the indigenous Carolinians represents the people's seafaring skills. Two white fairy tern birds fly overhead. A Carolinian mwar (head lei) composed of plumeria, langilang (Ylang Ylang), angagha (peacock flower) and teibwo (Pacific Basil) borders the bottom of the design.

2009 LINCOLN ONE-CENT COIN – PRESIDENCY IN WASHINGTON, DC

Coin Release: November 12, 2009
Mintage for Circulation: 327,600,000
Description: The fourth and last of the 2009 one-cent coin series commemorating the bicentennial of President Lincoln's birth and the 100th anniversary of the first issuance of the Lincoln cent, shows the half-finished United States Capitol dome. The design symbolizes a Nation torn apart by civil war and the resolve Lincoln showed as he guided the country through its gravest crisis. It was in front of the rising dome that Lincoln began his Presidency and under the completed dome that his body lay in state.

2010 LINCOLN ONE-CENT COIN – 2010 AND BEYOND

Coin Release: February 11, 2010
Description: In 2010 and beyond, the Lincoln one-cent coin's reverse design is emblematic of President Abraham Lincoln's preservation of the United States as a single and united country. The reverse features a union shield, an important National symbol that dates back to the 1780s. The shield's 13 vertical stripes and the horizontal bar above with the inscription *E PLURIBUS UNUM*—"out of many, one"—represent the union.

2010 NATIVE AMERICAN $1 COIN

Coin Release: January 25, 2010
Mintage for Circulation: 75,040,000
Description: The theme for the 2010 Native American $1 Coin is "Government—The Great Tree of Peace." The reverse design commemorates the Haudenosaunee (People of the Longhouse) Confederation, also known as the Iroquois Confederacy, and its contribution to the history and development of the United States. Early European settlers saw the Haudenosaunee and similar Native American societies as successful examples of confederations practicing equality and democratic self-government. The design features an image of the Hiawatha Belt with five arrows bound together. The Hiawatha Belt is a visual record of the creation of the Haudenosaunee dating back to the early 1400s. The five arrows represent the Five Nations or the Iroquois Confederacy, which consisted of the Mohawk, Oneida, Onondaga, Cayuga and Seneca nations.

ZACHARY TAYLOR PRESIDENTIAL $1 COIN – TWELFTH PRESIDENT, 1849 - 1850

Coin Release: November 19, 2009
Mintage for Circulation: 78,260,000
Description: Zachary Taylor was born in 1784 in Virginia. His Army career began at the age of 23 and for the next 30 years, he served in many remote outposts from Louisiana to northern Wisconsin. He led his forces to decisive victories in the Mexican-American War, which earned him the nickname "Old Rough and Ready." His reputation as a national hero made him an attractive presidential candidate, and he won the general election in a three-candidate race. As the debate over slavery in western territories threatened to tear the country apart, he was determined that the Union be preserved at all costs.

MARGARET TAYLOR FIRST SPOUSE GOLD COIN AND BRONZE MEDAL – FIRST LADY, 1849–1850

Description: Zachary Taylor once commented that Margaret "Peggy" Mackall Smith Taylor "was as much of a soldier as I was." She followed her husband during his military career, creating homes for her family in tents, cabins and forts. During the Seminole War, Margaret Taylor nursed wounded soldiers returning from the battlefield and counseled the young wives of soldiers as they awaited news from the front. The reverse depicts Margaret Taylor comforting an injured soldier during that war.

MILLARD FILLMORE PRESIDENTIAL $1 COIN – 13TH PRESIDENT, 1850 - 1853

Coin Release: February 18, 2010
Mintage for Circulation: 74,480,000
Description: Millard Fillmore was born in a log cabin on January 7, 1800, in Locke (now Summerhill), New York. In 1828, Fillmore entered politics, serving as a New York state assemblyman and later in the U.S. House of Representatives, where he chaired the powerful Committee on Ways and Means. While comptroller of New York, he was elected to serve as President Zachary Taylor's vice president in 1848. Upon Taylor's death in July 1850, Fillmore became president. While Fillmore was in office, Congress passed the Compromise of 1850, a package of stop-gap measures which effectively postponed the Civil War for a decade. After two unsuccessful bids for election to the presidency in his own right, he retired to Buffalo, New York.

ABIGAIL FILLMORE FIRST SPOUSE GOLD COIN AND BRONZE MEDAL– FIRST LADY, 1850–1853

Description: Born in 1798 in Saratoga County, New York, Abigail Powers Fillmore developed a passion for learning early in life. While teaching at the New Hope Academy in Sempronius, New York, she met her future husband Millard Fillmore. After their marriage, she continued to teach for another two years until their first child was born, making her the first presidential spouse to hold a paying job after her marriage. Perhaps her most lasting contribution as first lady was her work in establishing a permanent White House library, for which President Fillmore asked Congress to appropriate funds. With $2,000 authorized for the project, Mrs. Fillmore acquired several hundred volumes to start the collection in a second floor oval parlor.

FRANKLIN PIERCE PRESIDENTIAL $1 COIN – 14TH PRESIDENT, 1853 - 1857

Coin Release: May 20, 2010

Mintage for Circulation: 76,580,000

Description: Franklin Pierce was born on November 23, 1804, in Hillsboro, New Hampshire. He was elected to the New Hampshire legislature, and later served in the U.S. House of Representatives and Senate. Largely unknown to the public, Pierce was nominated for President in 1852 by the Democratic Party. Partly because of his strong support for the Compromise of 1850, which attempted to mitigate the slavery issue and preserve the Union, Pierce was elected president and served from 1853 to 1857. While he was President, the U.S. negotiated the Gadsden Purchase with Mexico, which gave the U.S. land in present-day southern Arizona and New Mexico for a southern transcontinental railroad.

JANE PIERCE FIRST SPOUSE GOLD COIN AND BRONZE MEDAL – FIRST LADY, 1853–1857

Description: Jane Appleton Pierce was born on March 12, 1806, in Hampton, New Hampshire. Two years into her husband's presidency, Jane Pierce emerged from an extended period of mourning after the death of her son. She began to attend receptions and dinner parties, and even organized a few of her own. By 1856, she was venturing out in Washington, regularly visiting the U.S. Capitol Building, where she sat in the Senate visitor's gallery listening to heated debates over the issue of slavery.

JAMES BUCHANAN PRESIDENTIAL $1 COIN – 15TH PRESIDENT, 1857 - 1861

Coin Release: August 19, 2010

Mintage for Circulation: 73,360,000

Description: James Buchanan was born on April 23, 1791, near Mercersburg, Pennsylvania. During the War of 1812, he helped defend Baltimore against British attack. A lawyer and gifted orator, he became a state legislator, and later served as a member of the U.S. House of Representatives and Senate and as U.S. minister to Russia. In 1845, he became President James K. Polk's secretary of state. His later service abroad as U.S. minister to Great Britain insulated him from the growing domestic controversy over slavery, helping him secure the Democratic Party's nomination for President.

JAMES BUCHANAN FIRST SPOUSE GOLD COIN AND BRONZE MEDAL – LIBERTY

Description: President James Buchanan was not married. The obverse of the gold coin and bronze medal issued for any President who served without a spouse features a design emblematic of Liberty. James Buchanan's Liberty coin's obverse is a reproduction of the Liberty Head Quarter Eagle designed by Christian Gobrecht and minted and issued from 1840 through 1907. The reverse design depicts the future President as a boy working as a bookkeeper in his family's small country store.

2009 AMERICAN EAGLE PLATINUM PROOF COIN – TO FORM A MORE PERFECT UNION

Coin Release: December 3, 2009
Mintage Limit: 8,000
Description: In 2009, the United States Mint introduced a new six-year platinum proof coin program. This new series commemorates the core concepts of American democracy by highlighting the preamble of the U. S. Constitution. It will honor the six principles found in the preamble, beginning with *To Form a More Perfect Union* in 2009, followed by *To Establish Justice* in 2010, *To Insure Domestic Tranquility* in 2011, *To Provide for the Common Defense* in 2012, *To Promote the General Welfare* in 2013, and *To Secure the Blessings of Liberty to Ourselves and our Posterity* in 2014. Each theme was inspired by narratives prepared by the Chief Justice of the United States at the request of the United States Mint.

The 2009 reverse design is emblematic of the principle *To Form a More Perfect Union*. It features four faces representing the diversity of our Nation, with the clothing and hair weaving together to symbolize the formation of a more perfect union. It also features an American Eagle privy mark, from an original "coin punch" identified at the United States Mint at Philadelphia.

2010 AMERICAN EAGLE PLATINUM PROOF COIN – TO ESTABLISH JUSTICE

Coin Release: August 12, 2010
Mintage Limit: 10,000
Description: The 2010 coin design is emblematic of the theme *To Establish Justice*, the second principle found in the preamble of the U.S. Constitution. The design features a blindfolded justice-symbolizing impartiality-holding traditional scales and carrying a branch of laurel. The coin also features the inscription *JUSTICE THE GUARDIAN OF LIBERTY*, from the east pediment of the Supreme Court building.