

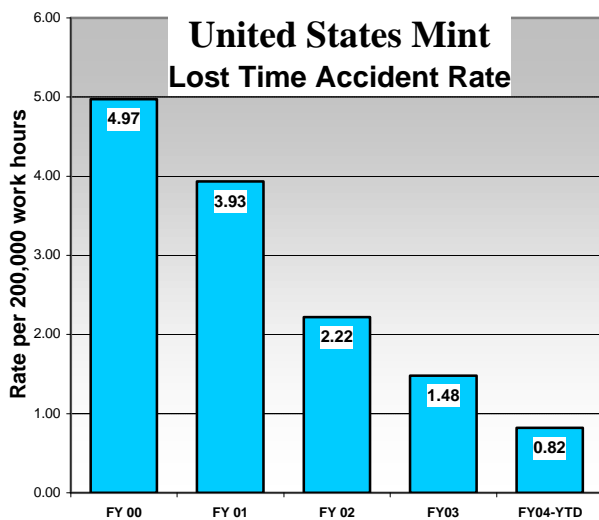


UNITED STATES MINT

Report to Congress on Operations

For the Period From October 1 through December 31, 2003
First Quarter FY 2004

Summary



In the conference report to Public Law 104-52, enacted November 19, 1995, which created the United States Mint Public Enterprise Fund (PEF), Congress directed the United States Mint to report quarterly on implementation of the PEF. This is the United States Mint's 32nd quarterly report to Congress.

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- As required by Public Law 104-52, which created the Public Enterprise Fund, the United States Mint reports on its \$600 million transfer to the Treasury General Fund for FY 2003.
- First quarter FY 2004 financials: Circulating Coins Collections: \$202 million, which is a 1% decrease from last quarter. Numismatic Products Revenue: \$65 million, which is a 4.4% decrease from last quarter. Bullion Coins: \$61 million, which is a 69% increase from last quarter.
- The United States Mint's financial statements for FY 2003 received an unqualified audit opinion. This is the tenth consecutive year the United States Mint has done so.
- During the first quarter of FY 2004, the American Customer Satisfaction Index (ACSI) for 2003 was released. The United States Mint's ACSI score topped that of all other Federal agencies, and was exceeded by only one private sector company. 2003 marks the eighth year in a row that the United States Mint has ranked among the leaders in the government and private sectors on the ACSI.
- The Arkansas commemorative quarter-dollar coin was launched on October 28, 2003. This launch marked the halfway point of the 50 State Quarters® Program. Collected by more than 130 million Americans, 50 State Quarters coins are the most popular collectable numismatic product in history.
- The United States Mint unveiled the designs of two 2004-dated nickels in "*The Westward Journey Nickel Series*."
- On November 20, 2003, the United States Mint launched an Artistic Infusion Program, which will enrich the designs of the United States Mint's coins and medals.
- The Secretary of the Treasury appointed a new chairperson of the Citizens Coinage Advisory Committee and one new member.
- The United States Mint continues to lower its Lost Time Accident rate.

OTHER HIGHLIGHTS: Preparations are underway for the XXIII Mint Directors Conference, which will be hosted by the United States Mint in March 2004./ The United States Mint signed a licensing agreement with Peak Capital Group for the production of an album that will hold 50 State Quarters coins. Under a licensing agreement with the United States Mint, maps that can hold 50 State Quarters coins are being sold in Borders, Walden Books, Wal-Mart and Target./ The United States Mint is currently selling First Flight Centennial Commemorative Coins, and preparing to release the 2004 Lewis and Clark Bicentennial Commemorative Coin and the Thomas Alva Edison Commemorative Coin./ The United States Mint's activities were addressed by two audits.

State of the United States Mint

The United States Mint's primary responsibilities are as follows:

- Producing an adequate volume of circulating coins for the United States to conduct its trade and commerce, and distributing these coins to the Federal Reserve.
- Manufacturing, marketing and selling proof and uncirculated coins, commemorative coins and medals to the general public. These products are known as numismatic products.
- Manufacturing, marketing and selling gold, silver and platinum bullion coins through the American Eagle Bullion Program. The value of American Eagle Bullion Coins generally depends upon their weight in specific precious metals. (By contrast, the numismatic value of other types of coins generally depends upon factors such as mintage, rarity, condition and age.) American Eagle Bullion Coins provide investors with a simple and tangible means to own precious metals. Not sold directly to the general public by the United States Mint, these products are available through authorized purchasers.
- Safeguarding United States Mint assets and non-Mint assets that are in the United States Mint's custody, including bullion reserves at the Fort Knox Bullion Depository and elsewhere.

Status of the Public Enterprise Fund

The United States Mint's Public Enterprise Fund is financed by the sale of circulating coins to the Federal Reserve and the sale of numismatic products and bullion coins and other products to customers worldwide.

Table #1 QUARTERLY COMPARISON OF REVOLVING FUND (Millions of Dollars)			
Product Category	FY 2004 1st Qtr	FY 2003 4th Qtr	Change
Circulating Collections	\$202	\$204	-1%
Numismatic Revenues	\$65	\$68	-4.4%
Bullion Revenues	\$61	\$36	+ 69 %
TOTAL	\$328	\$308	+6.5%

Table #2 FISCAL YEAR COMPARISON OF REVOLVING FUND (Millions of Dollars)			
Product Category	FY 2004 1st Qtr	FY 2003 1st Qtr	Change
Circulating Collections	\$202	\$232	-13%
Numismatic Revenues	\$65	\$46	+41%
Bullion Revenues	\$61	\$32	+ 90%
TOTAL	\$328	\$310	+5.8%

Circulating: The demand for circulating coins by commercial establishments and the general public fluctuates with the United States' economy. To accommodate this variability, the United States Mint and the Federal Reserve regularly assess their inventories and the demand for circulating coins, and adjust its production, ordering and delivery schedules accordingly.

During the first quarter of FY 2004, the United States Mint shipped about 2.8 billion coins to the Federal Reserve -- down by less than one percent from last quarter's shipments of about 2.9 billion coins. Reflecting this slight shipment decrease, circulating collections for the first quarter of FY 2004 totaled about \$202 million -- down by about one percent from last quarter's circulating collections of about \$204 million. (See Table #1.)

This quarter's circulating collections of about \$202 million were about 13 percent lower than circulating collections from the same quarter of FY 2003, which totaled about \$232 million. (See Table #2.)

Because the Federal Reserve's forecasted coin order for next calendar quarter represents an increase of 800 million coins over this quarter's order, next quarter's circulating production will likely exceed this quarter's production.

Numismatic Products: During the first quarter of FY 2003, numismatic revenues totaled about \$65 million -- down by 4.4 percent from last quarter's numismatic revenues of about \$68 million. (See Table #1.) This decrease in numismatic revenues is the net result of a \$12 million increase in revenues from the American Eagle Proof Program, and a \$15 million decrease in revenues from Recurring Programs.

Numismatic revenues from the first quarter of FY 2004 were about 41 percent higher than numismatic revenues from the same quarter of FY 2003, which totaled about \$46 million. (See Table #2.) This increase is the net result of the following factors: (1) A \$5.8 million increase in Proof Program revenues; (2) A \$1.8 million increase in Recurring Program revenues, which reflected the late release of 2003 American Eagle Platinum Proof Coins; and (3) A \$10.8 million increase in Commemorative Program revenues, which reflected the late release of 2003 First Flight Centennial Commemorative Coins.

During the first quarter of FY 2004, we expect numismatic revenues to range between \$45 million and \$55 million. This projection is based upon the expected augmentation of strong sales by launches of the following products: (1) The 2004 American Eagle Silver Proof Coin; (2) The 2004 Thomas Alva Edison Commemorative Coin; (3) Bags and rolls of the Golden Dollar and Kennedy Half Dollar; and (4) The Legacies of Freedom Set, which features an American Eagle Silver Dollar from the United States and a Silver Britannia two pound coin from the United Kingdom.

Bullion Coins: During the first quarter of FY 2004, bullion revenues totaled about \$61 million -- up by about 69 percent from last quarter's revenues of \$36 million. (See Table #1.) This quarter's bullion revenues were about 90 percent higher than revenues from the same quarter of FY 2003, which totaled about \$32 million. (See Table #2.)

Safety

The United States Mint is committed to reducing its lost time accident (LTA) rate to zero. (LTA rates represent the number of lost time accidents that occur per 200,000 work hours.) The United States Mint has steadily reduced its LTA rate since 2000. This trend continued as the United States Mint's year-to-date LTA rate dropped to .82 during the first quarter of FY 2004. (See chart on cover of this report.)

During the first quarter of FY 2004, the United States Mint worked to further improve safety by initiating a new unified, Mint-wide safety program under a contract with a safety consulting firm.

Nickel Redesign

The current design of the 5-cent coin (nickel), which features a likeness of Thomas Jefferson on the obverse and an image of Monticello on the reverse, has remained unchanged since 1938. On April 23, 2003, President Bush signed legislation authorizing the Secretary of the Treasury to change the design of the nickel through 2005 to commemorate the bicentennials of the Louisiana Purchase and the Lewis and Clark expedition. In 2006, the nickel would return to images of Thomas Jefferson and Monticello. The United States Mint has named the resulting new nickel program "*The Westward Journey Nickel Series*."

At a news conference held at United States Mint Headquarters on November 6, 2003, United States Mint Director Henrietta Holsman Fore unveiled two new designs for the reverses (tails sides) of 2004-dated nickels in "*The Westward Journey Nickel Series*." The obverses (heads sides) of both new 2004-dated nickels will continue to showcase the current likeness of Thomas Jefferson.

The first nickel in "*The Westward Journey Nickel Series*" will be released on March 1, 2004. Its reverse will depict the Jefferson Peace Medal. Jefferson Peace Medals were presented by the Lewis and Clark expedition as symbols of peace to Native American Chiefs and other important leaders.

The second nickel in "*The Westward Journey Nickel Series*" will be released in the Fall of 2004. Its reverse image will depict the keelboat that transported the Lewis and Clark expedition through the Louisiana Territory.

Citizens Coinage Advisory Committee

The 11-member Citizens Coinage Advisory Committee (CCAC) advises the Secretary of the Treasury on the selection of themes and designs for circulating coins, bullion coins, commemorative coins, Congressional Gold Medals and other medals, and on mintage levels for coin and medal programs. During the first quarter of FY 2004, the Secretary of the Treasury appointed Ms. Connie Harriman to chair the CCAC until October 1, 2004. Ms. Harriman's credentials include more than 20 years of public policy and management experience, which she gained through her current position as the President of the South Africa Wildlife Trust, and through previous executive positions at the U.S. Export-Import Bank, the U.S. Department of Justice, and the U.S. Department of the Interior.

During the first quarter of FY 2004, the Secretary of the Treasury also appointed Dr. Mitchell Sanders to represent the interests of the general public on the CCAC. Dr. Sanders is a political science professor at the University of Notre Dame and a lifelong numismatist.

The CCAC currently has vacancies for an expert in American history, a specially-qualified member in the field of numismatics, and a representative of the general public. Once review of applicants is complete, recommendations for these positions will be submitted to the Secretary of the Treasury, who appoints members to the CCAC.

United States Mint Provides Best Customer Service in Federal Government

The United States Mint outscored all other Federal agencies on the University of Michigan Business School's 2003 American Customer Satisfaction Index (ACSI). The ACSI measures the performances of more than 180 U.S. private corporations and more than 60 Federal Government agencies annually.

In 2003, the United States Mint scored an all-time high of 89 on the 1-to-100 scale of the ACSI -- four points higher than its 2002 score. The only private sector company that topped the United States Mint on the 2003 ACSI was H.J. Heinz, whose score exceeded the United States Mint's score by one point. 2003 marks the eighth consecutive year that the United States Mint has ranked among the leaders in both the public and private sectors. This is an unprecedented achievement for a government agency.

The ACSI is produced through a partnership of the University of Michigan Business School, the American Society of Quality (ASQ), and CFI Group, an international consulting firm. The ACSI is a uniform and independent measure of household consumption, customer loyalty and customer retention, which are known contributors to profitability.

50 State Quarters® Program

Launch of Arkansas State Quarter: On October 28, 2003, Director Fore, Governor Mike Huckabee and Arkansas First Lady Janet Huckabee unveiled the Arkansas commemorative quarter-dollar coin at Crater of Diamonds State Park in Murfreesboro, Arkansas.

The launch of the Arkansas quarter marked the 25th coin launch of the 50 State Quarters Program, and the fifth and final quarter launch of calendar year 2003. As Master of Ceremonies at the event, Governor Huckabee introduced the Murfreesboro High School Band and the 2003 Miss Arkansas, Whitney Kirk, to an audience of more than 3,000 students.

The quarter honoring Arkansas, the "Natural State," bears the image of a diamond, rice stalks and a mallard gracefully flying over a lake. Crater of Diamonds, the site of the launch of the Arkansas quarter, provided a fitting and appropriate venue for this historic and significant event.

Halfway Point of 50 State Quarters Program Reached: On December 18, 2003, Director Fore, together with Delaware Congressman Michael Castle -- the author of the 50 State Quarters Program's enabling legislation -- marked the passage of the halfway point of the Program at the United States Mint at Philadelphia. 50 State Quarters coins are currently collected by more than 130 million people, which equals about one person per U.S. household. No other coin collectable product in history has ever achieved such popularity.

The 50 State Quarters Program helped the United States Mint return about \$600 million in revenues to the United States Treasury in FY 2003. In addition, the Program has served as an exceptional educational tool.

2004 State Quarter Designs: During calendar year 2004, commemorative quarter-dollar coins will be released for Michigan, Florida, Texas, Iowa and Wisconsin. Designs for each of these coins have been approved by the Secretary of the Treasury. The United States Mint will launch the Michigan quarter on January 26, 2004, in Lansing, Michigan.

2005 State Quarter Designs: During calendar year 2005, quarter-dollar coins will be released for the following states:

- California: In November 2003, the Citizens Coinage Advisory Committee (CCAC) and the U.S. Commission of Fine Arts (CFA) reviewed candidate designs for the California quarter. The United States Mint forwarded the recommendations of the CCAC and CFA to the Secretary of the Treasury for approval. The candidate designs have been return to the State for its final recommendation.
- West Virginia: In November 2003, the CCAC and the CFA reviewed candidate designs for the West Virginia state quarter. These designs will be forwarded to the Secretary of the Treasury for approval.

- Minnesota, Oregon and Kansas: During the first quarter of FY 2004, the United States Mint's sculptor/engravers worked on developing designs for quarter-dollars for these states.

Artistic Infusion Program

On November 20, 2003, the United States Mint launched an Artistic Infusion Program that will create a pool of student and professional visual artists who will submit new designs for selected coins and medals produced by the United States Mint. This program is designed to enrich and invigorate the designs of the United States Mint's coin and medal designs.

During the first quarter of FY 2004, the United States Mint issued a call for artists to apply to the Artistic Infusion Program. In January 2004, up to 20 professional artists and 20-college or graduate-level visual art students who apply to the program will be selected by a recruitment panel that was assembled by the National Endowment of the Arts. Selected artists will participate in an orientation program on the history of coin and medal designs and the coin-making process that will be sponsored by the United States Mint on February 19 and 20, 2004, at the United States Mint at Philadelphia.

Education Initiatives

Demand continues to increase for educational materials produced by the United States Mint's Education Initiative (MEI). MEI's most visible educational product is the United States Mint's educational website, which is called the United States Mint's H.I.P. Pocket Change™ website and is posted at www.usmint.gov/kids. The site features coin-related games, fun facts, cartoons, news updates, lesson plans and other resources for teachers, parents and children. From the first quarter of FY 2003 to the first quarter of FY 2004, the number of visits to the site increased by about ten percent, from 228,878 to 251,329.

Among the most popular features posted on H.I.P. Pocket Change are coin-centric lesson plans, covering social studies, language arts, math and science, that accompany the launches of 50 State Quarters coins. From the fourth quarter of FY 2003 to the first quarter of FY 2004, downloads of these lesson plans increased by five percent.

During the first quarter of FY 2004, the MEI staff expanded the free educational resources offered by the United States Mint to the public by:

- Preparing a variety of educational resources, including new downloadable curricula that will be released as new nickels are launched through "*The Westward Journey Nickel Series*," and K-12th grade lesson plans that will be released as the 50 State Quarters for FY 2004 are launched.
- Choosing winners on October 16, 2003, for the United States Mint's "Coins in the Classroom Lesson Plan Contest," which invited teachers to suggest innovative methods for incorporating coins and coin collecting into classroom teaching. Contest results are currently posted on H.I.P. Pocket Change.
- Posting on H.I.P. Pocket Change a special Veterans Day tribute honoring veterans. This tribute featured an explanation of the importance of Veterans Day and reviewed the significance of the United States Mint's Congressional wartime medals and commemorative coins.

Also during the first quarter of FY 2004, more than 3,000 people participated in various outreach activities spearheaded by MEI. These outreach activities included facility tours of the United States Mint's manufacturing facilities in Philadelphia and Denver, as well as in-class school presentations and special events led by the United States Mint facilities at San Francisco, Denver, Philadelphia and West Point and the Bullion Depository in Fort Knox, Kentucky. In addition, MEI contributed information and materials to: (1) A showcase of educational resources offered by the Federal Government, which was organized by the Appalachian Regional Commission; and (2) Exhibits commemorating the Lewis and Clark expedition that were included in a celebration of Geographical Information Systems for state and Federal Government agencies held in Washington, DC.

Mint Directors Conference

Director Fore is currently Vice President of the XXIII Mint Directors Conference (MDC), an international body that promotes the exchange of information about manufacturing, technical, marketing and financial issues among its international membership of the world's mints.

The United States Mint will host the XXIII MDC in San Francisco, California, from March 18 to 22, 2004. (Immediately following the XXIII MDC, Director Fore will become President of the MDC.) During the first quarter of FY 2004, the United States Mint continued to address administrative and logistical issues in preparation for the XXIII MDC.

Licensing

The United States Mint's Office of Licensing protects the integrity and image of the United States Mint's intellectual property. The Office of Licensing works together with the Office of the Chief Counsel to monitor compliance with the United States Mint's licensing agreements and address infringement of the United States Mint's intellectual property. The United States Mint's Licensing activities have, to date, earned \$2.11 million in royalties, including \$10,000 earned during the first quarter of FY 2004.

The Office of Licensing currently maintains licensing agreements with three licensees, including H.E. Harris & Co., one of the Nation's largest distributors of stamp and coin collecting products. H.E. Harris recently added to its product line the "Collectors Archive," which features a United States map that is designed to hold 50 State Quarters coins. During the first quarter of FY 2004, sales of this product were launched in Borders, Walden Books, Wal-Mart and Target.

Also during the first quarter of FY 2004, the United States Mint's Office of Licensing evaluated two applications for licenses that are still pending. The Office of Licensing also signed a licensing agreement with Peak Capital Group for the production of an album that will hold 50 State Quarters coins.

Medals and Commemorative Coins

2003 First Flight Centennial Commemorative Coins: This series of gold, silver and clad commemorative coins has been selling over the United States Mint's website since August 1, 2003. The First Flight Commemorative Coin program honors the 100th anniversary of Orville and Wilbur Wright's historic flight near Kitty Hawk, North Carolina. A surcharge on sales of this coin series is authorized to help pay for the maintenance of the Wright Brothers Monument in North Carolina.

The obverse of the gold First Flight coin and the silver First Flight coin features an image of the Wright Brothers, and the obverse of the clad First Flight coin features an image of the Wright Monument. The reverse of each coin features an image of Orville and Wilbur Wright's airplane.

2004 Lewis and Clark Expedition Bicentennial Commemorative Coin: This commemorative coin will be released in May 2004 to mark the 200th anniversary of Lewis and Clark's departure from St. Louis. A surcharge on sales of this coin is authorized to benefit the National Lewis and Clark Bicentennial Council and the National Park Service for activities marking the bicentennial of the Lewis and Clark expedition.

The obverse of the Lewis and Clark Commemorative Coin features an image of Meriwether Lewis and William Clark on a stream bank planning their travel and exploration. The reverse of this coin features two feathers representing the many Native American Indian cultures studied by the Corps of Discovery Expedition.

2004 Thomas Alva Edison Commemorative Coin: This commemorative coin will honor the 125th anniversary of Thomas Alva Edison's invention of the light bulb. A surcharge on sales of this coin is authorized to be divided among eight organizations that are dedicated to paying tribute to Thomas Alva Edison. The Thomas Alva Edison Commemorative Coin is tentatively scheduled to begin pre-issue sales on February 11, 2004. This coin will remain on sale until December 31, 2004, or until it sells out -- whichever comes first.

The obverse of the Thomas Alva Edison Commemorative Coin features an image of Thomas Alva Edison with the "Edison Effect" bulb in his laboratory in West Orange, New Jersey. The reverse of this coin features an image of a light bulb sending out rays of light. The dates "1879-2004" appear at the base of the light bulb, and the words "125th ANNIVERSARY OF THE LIGHT BULB" appear over the light bulb.

Clean Financial Audit

The United States Mint received an unqualified audit opinion from an independent public accountant for its FY 2003 financial statements. This is the tenth consecutive year in which the United States Mint has done so.

In addition, the United States Mint successfully mitigated the one material weakness and the two reportable conditions on its internal controls that the independent accountants reported in FY 2002.

Fourth Quarter Audits

The activities of the United States Mint were addressed by the following documents that were released during the first quarter of FY 2003:

- A Treasury Office of Inspector General's (OIG) draft report resulting from its audit of the United States Mint's Purchase Card Program. The draft report, which is entitled *Control Weaknesses and Poor Management Oversight in the Mint's Purchase Card Program*, covered all purchase card transactions made by the United States Mint during FY 2002. Also during the first quarter of FY 2004, OIG discussed its preliminary findings from this review with the United States Mint during a formal exit interview. The United States Mint is currently preparing a response to OIG's preliminary findings.
- An *Exit Conference Fact Sheet* resulting from the U.S. General Accounting Office's (GAO) review of differences among the budgetary, accounting and cost oversight methods used by the United States Mint for producing coins and those used by the Bureau of Engraving & Printing for producing paper currency. The United States Mint is currently awaiting GAO's draft report resulting from the review.

Transfer to the Treasury General Fund

As required by Public Law 104-52, the United States Mint transfers all profits to the Treasury General Fund, retaining only the amount required by the Public Enterprise Fund to support United States Mint operations and programs. In any given fiscal year, depending upon operational demands, the United States Mint may transfer more or less than the total profits earned during the fiscal year. During FY 2003, the United States Mint's transfer to the Treasury General Fund totaled \$600 million, which exceeded profits by about \$58.8 million. Of this transfer, \$33 million is attributable to FY 2002 numismatic profits transferred in FY 2003, and the remainder is attributable to circulating operations for FY 2003.

As of September 30, 2003, the United States Mint had \$265.5 million in liabilities. The Office of Management and Budget (OMB) and the Department of the Treasury require the United States Mint to hold back enough cash to cover all existing liabilities. To accommodate these OMB and Treasury requirements, the United States Mint covered its \$265.5 million in liabilities, as well as any potential unforeseen contingencies, by retaining \$293.3 million in Fund Balance (cash) with Treasury for use in United States Mint operations as of September 30, 2003.

The United States Mint expects FY 2004 collections and sales to exceed FY 2004 expenses. Therefore, during FY 2003, the United States Mint did not retain any cash to cover any potential FY 2004 losses.