



UNITED STATES MINT

Report to Congress on Operations

From October 1 through December 31, 2006
First Quarter Fiscal Year 2007



*South Dakota Commemorative
Quarter-Dollar Coin*

In a conference report to Public Law 104-52 that created the United States Mint Public Enterprise Fund (PEF), Congress directed the United States Mint to report quarterly on implementation of the PEF. This report is designed to fulfill that requirement.

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• First Quarter Fiscal Year (FY) 2007 Financials:

- **First Quarter Comparison:** Revenues for the first quarter FY 2007 were 7% higher than revenues for the first quarter of FY 2006.
- **Comparison to Previous Quarter:** Revenues for the first quarter FY 2007 were 32% lower than revenues for the fourth quarter of FY 2006.
- The United States Mint began producing the first in the series of Presidential \$1 Coins, and we continue outreach efforts for the coin.
- The South Dakota commemorative quarter-dollar coin was released.
- On November 20, 2006, United States Mint Director Edmund C. Moy; Louise Roseman, Director of Reserve Bank Operations and Payments Systems at the Board of Governors of the Federal Reserve; Congressman Mike Castle (R-DE); and Congresswoman Carolyn Maloney (D-NY) provided a first glimpse of a new series of circulating Presidential \$1 Coins at a design unveiling ceremony held at the Smithsonian Institution's National Portrait Gallery.
- The final 2007 First Spouse designs were unveiled to the public at the National First Ladies Library in Canton, Ohio, on December 19, 2006.
- The Secretary of the Treasury approved designs for the Little Rock Central High School Desegregation Silver Dollar.

OTHER HIGHLIGHTS

Holiday Sales: The United States Mint hosted annual holiday sales on Capitol Hill and at the United States Treasury Department. A wide range of numismatic products was available at both of these popular events.

The United States Mint also offered expedited shipping to the general public in time for the holidays in an effort to offer improved customer service.

STATE OF THE UNITED STATES MINT

The United States Mint's primary responsibilities are:

- Producing an adequate volume of circulating coins for the United States to conduct its trade and commerce, and distributing these circulating coins to the Federal Reserve Bank;
- Striking national medals, including Congressional Gold Medals;
- Manufacturing, marketing and selling proof and uncirculated coins, commemorative coins and medals to the general public. These products are known as numismatic products. Their value generally depends on factors such as mintage, rarity, condition and age;
- Manufacturing, marketing and selling gold, silver and platinum bullion coins through the American Eagle and the American Buffalo bullion programs. The value of these bullion coins generally depends on their weight in specific precious metals. These products are not sold directly to the general public by the United States Mint. They are sold to Authorized Purchasers and are available to the general public through precious metal dealers, coin dealers, brokerage companies and participating banks;
- 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.

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 and bullion coins and other products to customers worldwide.

FIRST QUARTER COMPARISON: FY 2007 TO FY 2006

Table #2 COMPARISON OF 1st QUARTER FY 2007 REVENUES TO 1st QUARTER FY 2006 REVENUES (Millions of Dollars)			
Product Category	1st Qtr FY 2007	1st Qtr FY 2006	Change
Circulating	\$248	\$295	-16%
Numismatic	\$164	\$76	+116%
Bullion*	\$56	\$67	-16%
TOTAL	\$468	\$438	+7%

** Proof and uncirculated versions are included in numismatic sales.*

Circulating Third Quarter Comparison: Circulating collections for the first quarter of FY 2007 totaled \$248 million -- down by 16% from the same quarter of FY 2006. (See Table #2) This collection's decrease reflects a decrease in the Federal Reserve Bank's coin order.

Numismatic Fiscal Year Comparison: Numismatic revenues for the first quarter of FY 2007 totaled \$164 million -- up by 116% from the same quarter of FY 2006. (See Table #2) The United States Mint launched the American Eagle Uncirculated Coin Program just prior to the start of the first quarter of FY 2007; this program included 11 new products, many of which sold out prior to the end of the quarter. Also, all revenue for the San Francisco Old Mint Commemorative Coin Program was booked in the first quarter of FY 2007. In addition, we offered expedited shipping in time for the holidays in an effort to offer improved customer service, thereby earning revenue that may not have been generated, or may have otherwise been earned in the second quarter of FY07.

Bullion Fiscal Year Comparison: Bullion revenues for the first quarter of FY 2007 totaled \$56 million -- down by 16% from the same quarter of FY 2006. (See Table #2) This revenue decrease resulted from a decrease in orders attributable to the increase in precious metals prices.

COMPARISON TO PREVIOUS QUARTER

Table #3 COMPARISON OF 1st QUARTER FY 2007 REVENUES TO 4th QUARTER FY 2006 REVENUES (Millions of Dollars)			
Product Category	1st Qtr FY 2007	4th Qtr FY 2006	Change
Circulating	\$248	\$304	-18%
Numismatics	\$164	\$237	-31%
Bullion*	\$56	\$147	-62%
TOTAL	\$468	\$688	-32%

* Proof and uncirculated versions are included in numismatic sales.

Quarterly Circulating Comparison: Circulating collections for the first quarter of FY 2007 totaled \$248 million -- down by 18% from the fourth quarter of FY 2006. (See Table #3) This collection's decrease reflects a decrease in the Federal Reserve Bank's coin order.

Projected Second Quarter Circulating Collections: Circulating collections are expected to increase next quarter in concert with an increase of the Federal Reserve's forecasted coin order to 4.4 billion coins.

Quarterly Numismatic Comparison: Numismatic revenues for the first quarter of FY 2007 totaled \$164 million -- down by 31% from the fourth quarter of FY 2006. (See Table #3) This revenue decrease resulted from the launch of several high-dollar-value programs, which generated significant additional revenues in the fourth quarter of FY 2006. These programs included many of the American Buffalo Gold Coin sales and the American Eagle 20th Anniversary Gold and Silver Coin Sets.

Projected Second Quarter Numismatic Revenues: When measured against the significant revenues generated by the American Eagle 20th Anniversary Gold and Silver Coin Sets, as well as those generated by sales associated with the American Buffalo Gold Coin Program, numismatic revenues are expected to decrease next quarter. While the first new Presidential \$1 Coin will be released during the second quarter of FY 2007, many of the new numismatic products for this series will not be released until later in the year.

Quarterly Bullion Comparison: Bullion revenues for the first quarter of FY 2007 totaled \$56 million -- down by 62% from the fourth quarter of FY 2006 (See Table #3). This decrease was expected as a result of the normal seasonal decline in bullion orders, as well as the increase in precious metals prices. (See Table #3)

Projected Second Quarter Bullion Revenues: Bullion revenues are expected to increase next quarter because of the initial release of the 2007 bullion products.

UPDATE ON ACTIVITIES

50 STATE QUARTERS[®] PROGRAM

SOUTH DAKOTA QUARTER

On November 13, 2006, United States Mint Director Edmund C. Moy joined Governor M. Michael Rounds, South Dakota First Lady Jean Rounds and Rapid City Mayor Jim Shaw to introduce the South Dakota commemorative quarter-dollar in a ceremony at the Mount Rushmore National Memorial Amphitheater.

The South Dakota quarter was the final coin of calendar year 2006 and the 40th to be introduced in the United States Mint's 50 State Quarters Program. The reverse of the coin features an image of Mount Rushmore with the State bird, the Chinese ring-necked pheasant, soaring overhead. The design is bordered by heads of wheat.

50 STATE QUARTERS COIN DESIGN PROCESS

In October, the United States Mint Sculptor-Engravers and Artistic Infusion Program artists were tasked to develop designs for the five states being honored in 2008 -- Oklahoma, New Mexico, Arizona, Alaska, and Hawaii. After reviews and revisions, the five states recommended their final design candidates, which will be presented to the advisory committees, the Commission of Fine Arts and the Citizens Coinage Advisory Committee, in January 2007.

PRESIDENTIAL \$1 COIN ACT OF 2005

PRESIDENTIAL \$1 COIN DESIGNS

On November 20, 2006, Director Moy; Louise Roseman, Director of Reserve Bank Operations and Payments Systems at the Board of Governors of the Federal Reserve; Congressman Mike Castle (R-DE); and Congresswoman Carolyn Maloney (D-NY) provided a first glimpse of a new series of circulating Presidential \$1 Coins at a design unveiling ceremony held at the Smithsonian Institution's National Portrait Gallery. The event generated national coverage, including articles in *USA Today*, *New York Times*, *Wall Street Journal*, *Time*, *Newsweek* and the *Associated Press*, as well as international coverage in several publications, netting more than 250 million media impressions.

The 2008 Presidential \$1 Coin obverse designs, honoring Presidents James Monroe, John Quincy Adams, Andrew Jackson and Martin Van Buren, were presented to both advisory committees in October, and were sent to the Secretary of the Treasury for final approval.

PRESIDENTIAL \$1 COIN OUTREACH

In October, the United States Mint briefed the Federal Reserve's Cash Advisory Group on the findings of the Demand and Acceptance Study, outreach efforts to date and other initiatives by the United States Mint and the Federal Reserve. Also, Director Moy spoke at the National Automated Merchandising Association's annual convention.

In early November, the United States Mint and the Federal Reserve co-hosted a forum specifically tailored to retail merchants. About 15 representatives attended the event and provided feedback for distribution, promotion and education relating to the release of Presidential \$1 Coins.

Throughout December, the United States Mint held focus group sessions in an effort to test key messaging for the Presidential \$1 Coin Program. Further, the United States Mint designed and produced tri-fold self-mailers, with an initial mailing of more than 55,000 sent to depository institutions, retail associations and other stakeholder groups. In addition, a Presidential \$1 Coin e-Newsletter was created, and three issues were e-mailed to over 27,000 subscribers.

FIRST SPOUSE DESIGN PROCESS

The final 2007 First Spouse designs were unveiled to the public at the National First Ladies Library in Canton, Ohio, on December 19, 2006. Director Moy and a Dolley Madison re-enactor raised the curtain on designs for the 24-karat gold collectible First Spouse Coins, whose release will coincide with the annual release of the Presidential \$1 Coins.

In early December, the United States Mint Sculptor-Engravers and AIP artists were tasked with developing designs for the 2008 First Spouses (both gold and medal versions) honoring Elizabeth Monroe, Louisa Adams, Andrew Jackson's Liberty, and Martin Van Buren's Liberty.

ARTISTIC INFUSION PROGRAM

In addition to the assignments listed above, the United States Mint wrapped up its nationwide "Call for Artists." A formal evaluation panel, including representatives of the Commission of Fine Arts, National Education Association, Bureau of Engraving and Printing, the Smithsonian Institution, and the White House Curator's Office, was held for the Associate Designers on October 3, and for the Student Designers on November 6. For 2007, the United States Mint will have eight Master Designers, seven Associate Designers, and four Student Designers in the Program.

UNITED STATES MINT EDUCATIONAL INITIATIVE (MEI)

New educational content posted in the 1st quarter includes the winter edition of the quarterly newsletter *Making Cents*, as well as "State Quarter Day in the Classroom" information for South Dakota. Pages were also added for Halloween, Columbus Day and Veteran's Day.

The following "New Coin of the Month" content was also added:

October – 1923 Monroe Doctrine Centennial Half-Dollar
November – South Dakota Commemorative Quarter-Dollar
December – New England Shilling

In early December, the United States Mint "H.I.P. Pocket Change" team represented the United States Mint by staffing a booth at the National Council for the Social Studies conference at the Washington, D.C., Convention Center. More than 4,000 educators from across the Nation attended, and the Teachers' Network gained more than 350 new members.

The United States Mint's H.I.P. Pocket Change website had 800,544 visits during the quarter, an increase of 14% over the same quarter last year. In addition, 34,605 Westward Journey Nickel Series™ lesson plans and 192,222 50 State Quarters lesson plans were downloaded during this quarter.

OTHER HIGHLIGHTS

COMMEMORATIVE COIN PROGRAMS

Sales for the San Francisco Old Mint Commemorative Coin Program ended this quarter. Sales of the Jamestown 400th Anniversary Commemorative Silver Dollar are scheduled to begin next quarter, with a coin launch event scheduled for early January 2007.

The Secretary of the Treasury approved designs for the Little Rock Central High School Desegregation Silver Dollar this quarter. This silver dollar will commemorate the 50th anniversary of the desegregation of Little Rock Central High School. This second commemorative coin in 2007 is expected to be introduced in mid-May.

Source materials were obtained and reviewed for the 2008 American Bald Eagle Commemorative Coin Program. The design assignments are expected to go to Artistic Infusion Program artists and the United States Mint Sculptor-Engravers early next quarter. This is a three-coin program, including a \$5 gold coin, a silver dollar and a clad half dollar.

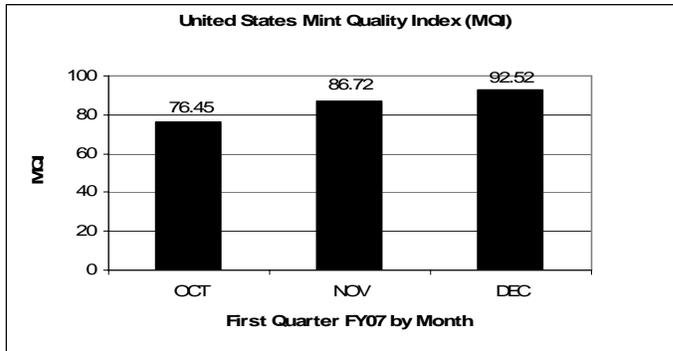
PUBLIC INFORMATION SITE

Several areas of the United States Mint's public information website were updated to support the agency's products and programs. These updates included line art images added to the pressroom and pages posted for the First Spouse 24-Karat Gold Coin Program; Presidential \$1 Coin Program web pages updated and expanded to support the announcement of new designs; 2007 Jamestown 400th Anniversary Commemorative Coin Program images added to web pages and the pressroom; and 50 State Quarters pages updated for the 2007-dated coins. Also, the United States Mint Historian's Corner was updated to include Modern Circulating Coins. Finally, a consumer awareness Hot Item was added to inform the public about our new interim regulations restricting the exporting, treating, and melting United States 5-cent and one-cent coins.

The main site had 6,136,375 visits during the quarter, an increase of 33% over the same quarter last year.

QUALITY

The United States Mint conducts periodic product quality audits at its manufacturing facilities with a cross-functional team composed of production, quality, and administrative personnel. A statistically significant sampling of coin products is evaluated, and the number of "defects" found is entered into a weighted index formula. The result is the United States Mint Quality Index (MQI). The objective of the MQI is to measure relative quality levels and detect changes and trends in quality; it does not represent a "percent of good products." The MQI is a viable metric for continual quality improvement at the United States Mint.

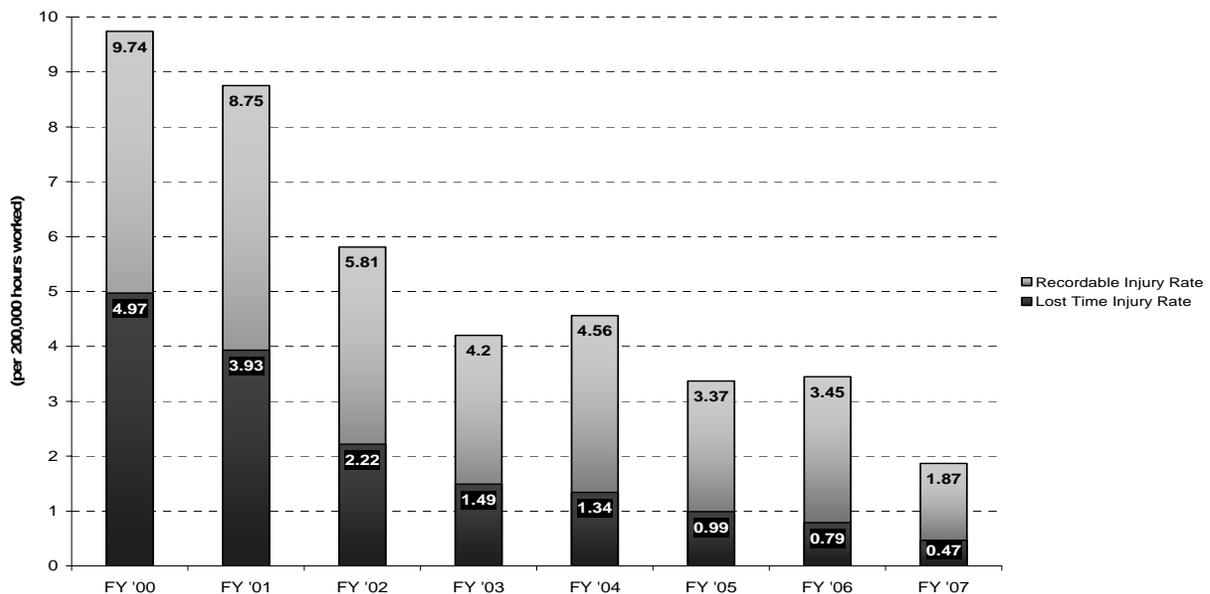


The graph illustrates composite MQI results of Circulating coin products manufactured at the United States Mints at Denver and Philadelphia for the first quarter of FY07 to date. Opportunities for improvement have been identified at both United States Mint facilities.

SAFETY

This quarter marks the beginning of the 8th year the United States Mint has reported on its safety performance. The data herein is collected from all manufacturing sites, as well as the United States Bullion Depository at Fort Knox and Headquarters. The ultimate goal is to eliminate all lost time injuries and illnesses. The principal safety measure is the number of cases resulting in time off from work (lost time accidents). The target for this measure in FY 2007 is a reduction in the number of injuries per 200,000 hours worked to 0.62. The chart below summarizes results through the first quarter of FY 2007. Employees lost working days in two work-related incidents, and the number of injuries per 200,000 hours worked was 0.47. The secondary safety measure focuses on recordable injuries that do not result in time off from work. These incidents tend to be more serious than those requiring first aid only. The recordable injury rate through the first quarter of FY 2007 was 1.87, which compares favorably with our goal of 2.53 injuries per 200,000 hours worked.

Our Vision is Zero Injuries



AUDITS AND REPORTS

The Treasury Office of Inspector General (OIG) observed scheduled Disaster Recovery Exercises (DRE) within selected Treasury agencies, including the United States Mint, in continuation of planned audits identified within the OIG's Annual Plan Fiscal Year 2006. Audit report OIG-07-002 –“INFORMATION TECHNOLOGY: The United States Mint Disaster Recovery Capability Needs Improvement” was issued October 10, 2006. The report finding supports the United States Mint's own after-action report. Follow-up corrective actions are targeted for completion no later than the end of Fiscal Year 2007.

The “Audit of the United States Mint's Fiscal Year 2005 Financial Statements” report was issued November 11, 2006, as audit report #OIG-07-006. The “Audit of the United States Mint's Fiscal Years 2006 and 2005 Financial Statements” report was issued December 21, 2006, as audit report #OIG-07-022. The United States Mint received an unqualified opinion on its FY 2006 financial statements for the 13th consecutive year.

UNITED STATES MINT MIGRATION TO ARC

The United States Mint performed system cutover on October 1, 2006, and officially went “live” on October 2, 2006, on the Oracle Discrete Manufacturing, Procurement and Federal Financials applications. The applications were implemented in a compressed timeline and are the first Oracle Manufacturing applications utilized at the Bureau of Public Debt's (BPD) Administrative Resource Center (ARC). Overall, the implementation has been successful with only a few issues that continue to be addressed as part of the post-implementation period. To facilitate the successful transition, each of the four Manufacturing field sites and Headquarters received on-site support from United States Mint subject matter experts, ARC, and contractors during the first two weeks after the go-live date. Each site had at least five experts available to answer questions, walk users through the new transaction steps, and report any system issues or problems to the helpdesk. All sites also received additional support during the last week of October to assist them with the month-end close processes. System activity continues to increase as more users are trained and receive access to the new system. A large support network will remain in place while users become more familiar and comfortable with this system.