



UNITED STATES MINT

Report to Congress on Operations

From January 1 through March 31, 2007
Second Quarter Fiscal Year 2007



*George Washington
Presidential \$1 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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• Second Quarter Fiscal Year (FY) 2007 Financials:

- **Year-to-Date Comparison:** Year-to-date revenues for the second quarter FY 2007 were 28% higher than year-to-date revenues for the second quarter FY 2006.
- **Second Quarter Comparison:** Revenues for the second quarter of FY 2007 were 45% higher than revenues for the second quarter of FY 2006.
- **Comparison to Previous Quarter:** Revenues for the second quarter of FY 2007 were 75% higher than revenues for the first quarter of FY 2007.

- On February 15, 2007, the United States Mint introduced the George Washington Presidential \$1 Coin at New York's Grand Central Terminal and hosted a coin exchange for commuters, tourists and others passing through the terminal.
- The Montana commemorative quarter-dollar coin was released into circulation.
- The 2007 American Buffalo 24-Karat Gold Bullion Coins went on sale February 21, 2007. By the end of the quarter, sales reached 65,500 ounces.
- On March 29, 2007, in the U.S. Capitol Rotunda, President George W. Bush and Speaker of the House Nancy Pelosi joined others in awarding the Congressional Gold Medal to the Tuskegee Airmen in recognition of their unique military record, which inspired revolutionary reform in the Armed Services.

OTHER HIGHLIGHTS

In January, designs were developed for the Congressional Gold Medal honoring Byron Nelson. In February, designs were developed for the Congressional Gold Medal honoring Dr. Norman Borlaug.

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.

YEAR-TO-DATE COMPARISON:

Table #1 COMPARISON OF YEAR-TO-DATE REVENUES FOR 2nd QUARTER 2007 TO 2nd QUARTER 2006 (Millions of Dollars)			
Product Category	Year-to- Date through 2nd Qtr FY 2007	Year-to- Date through 2nd Qtr FY 2006	Change
Circulating	\$785	\$616	+27%
Numismatics	\$280	\$152	+84%
Bullion*	\$222	\$236	-6%
TOTAL	\$1287	\$1004	+28%

* Investment versions; proof versions are included in numismatic sales.

Year-to-Date Circulating Collections: Year-to-date circulating collections through the second quarter of FY 2007 totaled \$785 million -- up 27% from the same period of FY 2006. (See Table #1) This increase is attributable, in large part, to an increase in orders from the Federal Reserve Bank resulting from the introduction of the Presidential \$1 Coin.

The United States Mint's circulating collections fluctuate because variations in the United States economy change demand for circulating coins by commercial establishments and the general public. To accommodate such demand changes, the United States Mint and the Federal Reserve Bank continually assess their inventories and the demand for circulating coins, and then adjust their production, ordering and delivery schedules accordingly.

Year-to-Date Numismatic Revenues: Year-to-date numismatic revenues through the second quarter of FY 2007 totaled \$280 million -- up by 84% from the same period of FY 2006. (See Table #1) This increase resulted from sales of 2006 products. These products include the American Eagle Anniversary Sets (American Eagle 20th Anniversary Gold & Silver Set, American Eagle 20th Anniversary Silver Coin Set and American Eagle 20th Anniversary Gold Coin Set), the American Buffalo 24-Karat Gold Proof Coin and the San Francisco Old Mint Commemorative Coin Program, which included a gold option.

Year-to-Date Bullion Revenues: Year-to-date bullion revenues through the second quarter of FY 2007 totaled \$222 million -- down by 6% from the same period of FY 2006. (See Table #1) This decrease resulted from a decrease in orders attributable to the increase in precious metals prices.

SECOND QUARTER COMPARISON: FY 2007 TO FY 2006

Table #2 COMPARISON OF 2nd QUARTER FY 2007 REVENUES TO 2nd QUARTER FY 2006 REVENUES (Millions of Dollars)			
Product Category	2nd Qtr FY 2007	2nd Qtr FY 2006	Change
Circulating	\$537	\$321	+67%
Numismatic	\$116	\$76	+53%
Bullion*	\$166	\$169	-2%
TOTAL	\$819	\$566	+45%

* Investment versions; proof versions are included in numismatic sales.

Circulating Second Quarter Comparison: Circulating collections for the second quarter of FY 2007 totaled \$537 million -- up by 67% from the same quarter of FY 2006. (See Table #2) This increase reflected an increase in the Federal Reserve Bank's coin order—most notably orders for the new Presidential \$1 Coin.

Numismatic Fiscal Year Comparison: Numismatic revenues for the second quarter of FY 2007 totaled \$116 million -- up by 53% from the same quarter of FY 2006. (See Table #2) This revenue increase resulted from products being released earlier in the year, including the Jamestown 400th Anniversary

Commemorative Coin program and the George Washington Presidential \$1 Coin Bags and Rolls, and continued sales of the American Buffalo 24-Karat Gold Proof Coin.

Bullion Fiscal Year Comparison: Bullion revenues for the second quarter of FY 2007 totaled \$166 million -- down by 2% from the same quarter of FY 2006. (See Table #2) This decrease resulted from a decrease in orders attributable to the increase in precious metals prices.

COMPARISON TO PREVIOUS QUARTER

Table #3 COMPARISON OF 2nd QUARTER FY 2007 REVENUES TO 1st QUARTER FY 2007 REVENUES (Millions of Dollars)			
Product Category	2nd Qtr FY 2007	1st Qtr FY 2007	Change
Circulating	\$537	\$248	+116%
Numismatics	\$116	\$164	-29%
Bullion*	\$166	\$56	+196%
TOTAL	\$819	\$468	+75%

** Investment versions; proof versions are included in numismatic sales.*

Quarterly Circulating Comparison: Circulating collections for the second quarter of FY 2007 totaled \$537 million -- up by 116% from the first quarter of FY 2007. (See Table #3) This collection's increase is consistent with the United States Mint's shipment of 3.5 billion coins to the Federal Reserve Bank during the second quarter of FY 2007 -- up by 17% from the 3.0 billion coins shipped during the first quarter of FY 2007.

Projected Third Quarter 2007 Circulating Collections: Circulating collections are expected to increase next quarter in concert with an increase of the Federal Reserve's forecasted coin order to 4.2 billion coins.

Quarterly Numismatic Comparison: Numismatic revenues for the second quarter of FY 2007 totaled \$116 million -- down by 29% from the first quarter of FY 2007. (See Table #3) This revenue decrease resulted from unusually high first quarter revenue derived from the sale of precious metal products such as the American Eagle 20th Anniversary Coin Sets.

Projected Third Quarter Numismatic Revenues: Next quarter's revenues are expected to increase because the United States Mint will be releasing more 2007-dated products, including precious metal products such as the American Eagle Platinum Proof Coins and American Buffalo Gold Proof Coins.

Quarterly Bullion Comparison: Bullion revenues for the second quarter of FY 2007 totaled \$166 million -- up by 196% from the first quarter of FY 2007. (See Table #3) This revenue increase resulted from the initial release of the 2007 bullion products.

Projected Third Quarter 2006 Bullion Revenues: Bullion revenues are expected to decrease next quarter as a result of the normal seasonal decline in bullion orders.

UPDATE ON ACTIVITIES

50 STATE QUARTERS® PROGRAM

MONTANA QUARTER LAUNCH

United States Mint Director Edmund C. Moy joined Governor Brian Schweitzer and Montana First Lady Nancy Schweitzer to introduce the Montana commemorative quarter-dollar in a ceremony at the Helena Civic Center on January 29, 2007.

The Montana quarter-dollar was the first quarter of calendar year 2007 and the 41st quarter to be introduced in the United States Mint's 50 State Quarters® Program. The reverse of Montana's quarter features a bison skull depicted above the diverse Montana landscape with the inscription "Big Sky Country." The coin also bears the inscriptions "Montana" and "1889."



*Montana Commemorative
Quarter-Dollar Coin*

50 STATE QUARTERS COIN DESIGN PROCESS

In January 2007, the Citizens Coinage Advisory Committee (CCAC) and the Commission of Fine Arts (CFA) reviewed the design candidates for the states being honored in 2008 (Oklahoma, New Mexico, Arizona, Alaska, and Hawaii). All comments and suggested revisions by the advisory bodies were shared with the states, and the final design candidates were sent to the Secretary of the Treasury for approval. On March 29, 2007, the Secretary of the Treasury approved the final design candidates for all five states, and they were sent to the states for their final selection by May 1, 2007.

PRESIDENTIAL \$1 COIN ACT OF 2005

GEORGE WASHINGTON PRESIDENTIAL \$1 COIN LAUNCH

On February 15, 2007, the United States Mint launched the George Washington Presidential \$1 Coin at New York's Grand Central Terminal and hosted a coin exchange for commuters, tourists and others passing through the terminal. More than 68,000 Presidential \$1 Coins were exchanged during a day that featured Director Moy spending the first George Washington Presidential \$1 Coin in a New York City parking meter. A George Washington re-enactor was present to retrieve the Director's receipt for this transaction. A post-launch survey revealed that the public's awareness of the new Presidential \$1 Coin Program increased from 18% to 58%.

PRESIDENTIAL \$1 COIN DESIGNS

On February 13, 2007, the Secretary of the Treasury approved the final designs for the 2008 Presidential \$1 Coin obverses representing James Monroe, John Quincy Adams, Andrew Jackson, and Martin Van Buren.

PRESIDENTIAL \$1 COIN OUTREACH

The United States Mint conducted a 10-city local market tour, with staff participating in radio and television interviews and hosting events at both schools and high-traffic venues such as shopping malls.

At the end of January, the United States Mint launched a website offering the public free collateral materials with information on the Presidential \$1 Coin Program. The site currently features more than 15 types of materials; more materials are scheduled to be added this year. Approximately 5.6 million pieces of material already have been shipped to customers.

Additionally, the United States Mint provided a graphic design featuring the Presidential \$1 Coin for the back of the Federal tax IRS refund check envelope. Approximately 14 million people will receive these envelopes with their tax refund checks at no cost to the United States Mint. Four Presidential \$1 Coin e-newsletters have been sent to more than 57,000 subscribers. Conference calls have been made to representatives of 45 financial institutions, retail, self-service, coin equipment, transit, and Federal entities representatives to discuss outreach initiatives and program support for the Presidential \$1 Coin Program.

FIRST SPOUSE DESIGN PROCESS

In January 2007, artists completed designs honoring Elizabeth Monroe, Louisa Adams, Andrew Jackson's Liberty, and Martin Van Buren's Liberty for the 2008 First Spouse Gold Coin and Medal Program. In consultation with nationally renowned historians and scholars, the design candidates were reviewed for historical accuracy before being presented to the CCAC and CFA in March 2007.

AMERICAN BUFFALO 24-KARAT GOLD COINS

The 2007 American Buffalo 24-Karat Gold Bullion Coins went on sale February 21, 2007. By the end of the quarter, sales reached 65,500 ounces.

ARTISTIC INFUSION PROGRAM

On February 16, 2007, the United States Mint officially announced the new artists accepted into the class of 2007 of the Artistic Infusion Program (AIP) as a result of the call for artists last fall. This class includes seven Master Designers from the class of 2006, seven new Associate Designers, and four new Student Designers.

On February 20-23, 2007, the United States Mint at Philadelphia hosted the fourth annual AIP symposium for the entire class of 2007. The symposium covered the history of the program, coinability and manufacturing issues, legislative and legal requirements, press issues, and procurement/contractual requirements. In addition to the Director and other senior officials, speakers included representatives of the CCAC and the CFA, in addition to the Director, the Associate Director for Sales and Marketing, senior managers from Sales and Marketing, Manufacturing, Chief Counsel, Public Affairs, Legislative Affairs, the Senior Engraver, the Administrative Resource Center's Procurement Team, and the Program Office.

UNITED STATES MINT EDUCATIONAL INITIATIVE (MEI)

Educational content added to the United States Mint H.I.P. Pocket Change™ Web site during the second quarter included pages describing the overall Presidential \$1 Coin Program, the coin's reverse design, and each of the four observe designs to be released in 2007. Lesson plans for grades K through 12 based on the Presidential \$1 Coins were also added. Pages covering the 2007 designs for the 50 State Quarters® Program, along with state-specific lesson plans for grades K through 6, were added. A Women's History Month page was created, and the Presidents Day page was updated to link to the Presidential \$1 Coin Program information pages. The "Coin of the Month" featured the Montana 50 State Quarters coin, the George Washington Presidential \$1 Coin, and the Jamestown 400th Anniversary Commemorative five-dollar gold coin.

The Time Machine interactive cartoon was updated with a trip to 1917 and the era of women's suffrage. The spring issue of *Making Cents*, the quarterly online newsletter, was added, as well as a "State Quarter Day in the Classroom" page for Montana. In addition to providing information on the 2007 Jamestown 400th Anniversary Commemorative Coins, a quiz/game called "Jamestown Challenge" was created and posted.

The United States Mint H.I.P. Pocket Change Web site had more than one million visits during the quarter, an increase of 20% over the same quarter last year. In addition, 29,942 Westward Journey Nickel Series™ lesson plans, 296,431 50 State Quarters lesson plans, and 12,153 Presidential \$1 Coin lesson plans were downloaded during this quarter.

OTHER HIGHLIGHTS

COMMEMORATIVE COIN PROGRAMS

On January 24, 2007, the United States Mint announced the final designs for the 2007 Little Rock Central High School Desegregation Silver Dollar Coin Program. AIP Master Designer Richard Masters of Appleton, Wisconsin, designed the obverse. The coin is expected to go on sale May 15, 2007.

Artists have developed designs for the 2008 American Bald Eagle Recovery and National Emblem Commemorative Coin Program. This three-coin program includes a \$5 gold coin, a silver dollar and a clad half-dollar to be issued in 2008. The design candidates are currently under final review by the recipient organization.

On March 12, 2007, the United States Mint met with representatives of the Abraham Lincoln Bicentennial Commission to discuss design concepts for the four one-cent coins and the Abraham Lincoln Commemorative Coin to be issued in 2009. On March 22, 2007, the United States Mint met with

representatives of the National Federation of the Blind to discuss design concepts for the Louis Braille Commemorative Coin to be issued in 2009.

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 Presidential \$1 Coin information added to the Hot Items page for consumers/collectors; a new supplemental website that allows people to order free Presidential \$1 Coin informational materials; images of the American Eagle gold and silver bullion and proof coins added to the Pressroom; and the simplification of the Coin Production page with a column added for the Presidential \$1 Coin.

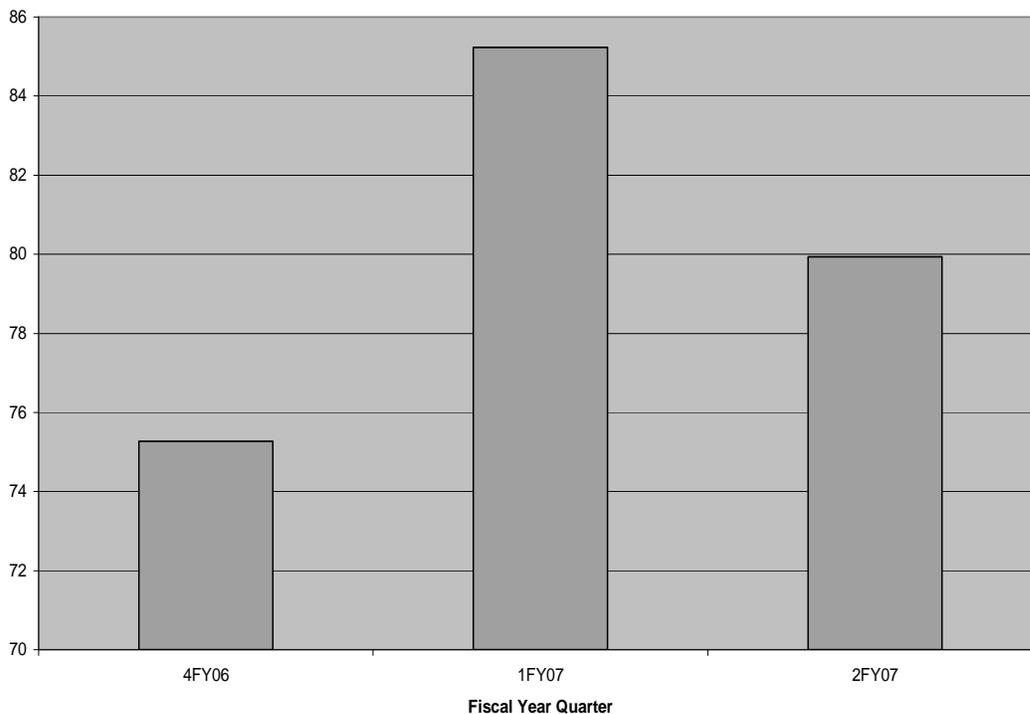
The “What’s New” page was redesigned. The Presidential \$1 Coin e-newsletter was sent out to more than 57,000 subscribers, and the *Coins Online* e-newsletter was sent out monthly to its more than 400,000 subscribers.

The main site had 9,777,579 visits during the quarter, an increase of 45% 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.

United States Mint Quality Index (MQI)

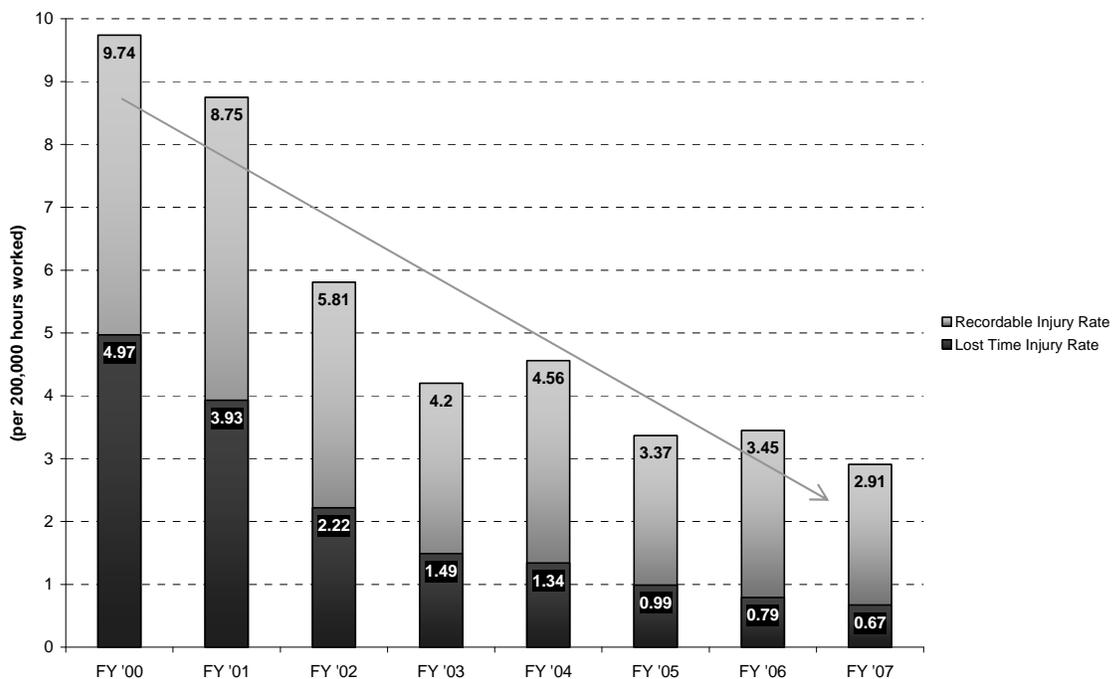


The graph illustrates composite MQI results of Circulating coin products manufactured at the United States Mints at Denver and Philadelphia for the last three Fiscal Quarters (4FY06= 75.27, 1FY07= 85.23, & 2FY07= 79.94). Opportunities for improvement have been identified at both facilities.

SAFETY

The Lost Time Injury Rate (the number of work-related injuries and illnesses that result in one or more lost work days per 200,000 hours worked) was 0.67 through the mid-point of FY 2007. This is a 15% reduction over FY 2006, and puts us within striking distance of achieving our strategic plan goal for 2007 of 0.62. The Recordable Injury Rate, which covers all injuries and illnesses, was 2.91 through the 2nd quarter of FY 2007. This is a 16% reduction over FY 2006, but is behind our goal of 2.53.

Our Vision is Zero Injuries



AUDITS AND REPORTS

The Treasury Office of Inspector General (OIG) conducted a corrective action verification (CAV) as follow-up to a previous FY 2004 audit on purchase cards, OIG Report number OIG-04-029, Control Weaknesses and Poor Management Oversight in the United States Mint's Purchase Card Program. On March 12, 2007, the OIG issued the draft CAV audit report and transmittal memo stating that all of the items it had tested had been appropriately addressed, and no additional issues were reported. The United States Mint response to the Draft Audit report is expected to be issued early in the third quarter FY 2007. The OIG is expected to issue the final version of the report soon after receiving this response.