



UNITED STATES MINT

Report to Congress on Operations

From July 1 through September 30, 2006
Fourth Quarter Fiscal Year 2006



*North 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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• Fourth Quarter Fiscal Year (FY) 2006 Financials:

- **Year-to-Date Comparison:** Year-to-date revenues for the fourth quarter FY 2006 were 31% higher than year-to-date revenues for the fourth quarter FY 2005.
- **Fourth Quarter Comparison:** Revenues for the fourth quarter FY 2006 were 54% higher than revenues for the fourth quarter FY 2005.
- **Comparison to Previous Quarter:** Revenues for the fourth quarter FY 2006 were 7% higher than revenues for the third quarter FY 2006.

- The United States Mint introduced for sale the San Francisco Old Mint Commemorative Coins 60 days after the passage of the authorizing legislation.
- The North Dakota commemorative quarter-dollar coin was released.
- The United States Mint secured the services of a public relations firm to develop and implement a multi-year, nationwide integrated communication strategy to promote public information, education and awareness about Presidential \$1 Coins.
- In FY 2006, the United States Mint transferred \$750 million to the Treasury General Fund.
- The United States Mint at West Point passed the one-year mark without a lost time injury; it became the third United States Mint facility to achieve this accomplishment this fiscal year.
- A settlement was approved in the class action complaint filed by female employees at the United States Mint at Denver.

OTHER HIGHLIGHTS

The United States Mint Education Initiative continued to develop new and popular educational products. The United States Mint launched the Historian's Corner on the website, offering visitors a glimpse at rarely seen documents about the history of the United States Mint and U.S. coinage.

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;
- Manufacturing, marketing and selling gold, silver and platinum bullion coins through the American Eagle and the American Buffalo bullion programs. 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; and
- 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 and bullion coins and other products to customers worldwide.

YEAR-TO-DATE COMPARISON:

Table #1 COMPARISON OF YEAR-TO-DATE REVENUES FOR 4th QUARTER 2006 TO 4th QUARTER 2005 (Millions of Dollars)			
Product Category	Year-to-Date through 4th Qtr FY 2006	Year-to-Date through 4th Qtr FY 2005	Change
Circulating	\$1272	\$1145	+11%
Numismatics	\$514	\$355	+45%
Bullion	\$537	\$271	+98%
TOTAL	\$2323	\$1771	+31%

Year-to-Date Circulating Collections: Year-to-date circulating collections through the fourth quarter of FY 2006 totaled \$1,272 million – up by 11 percent from the year-to-date circulating collections of the same quarter FY 2005. (See Table #1)

The United States Mint's circulating collections fluctuate because variations in the U.S. 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 Banks 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 fourth quarter FY 2006 totaled \$514 million – up 45 percent from the year-to-date numismatic revenues of the same quarter FY 2005 (See Table #1). This increase is largely attributable to the recent releases of the 24-karat American Buffalo Gold Proof Coin and the American Eagle 20th Anniversary Coin Sets.

Year-to-Date Bullion Revenues: Year-to-date bullion revenues through the fourth quarter of FY 2006 totaled \$537 million – up 98 percent from the year-to-date bullion revenues of the same quarter FY 2005 (See Table #1). This increase is directly related to the introduction of the 24-karat American Buffalo Gold Bullion Coin.

FOURTH QUARTER COMPARISON: FY 2006 TO FY 2005

Table #2 COMPARISON OF 4th QUARTER FY 2006 REVENUES TO 4th QUARTER FY 2005 REVENUES (Millions of Dollars)			
Product Category	4th Qtr FY 2006	4th Qtr FY 2005	Change
Circulating	\$304	\$321	-5%
Numismatics	\$237	\$71	+234%
Bullion	\$147	\$56	+163%
TOTAL	\$688	\$448	+54%

Circulating Fourth Quarter Comparison: Circulating collections for the fourth quarter FY 2006 totaled \$304 million – down by five percent from the same quarter of FY 2005. (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 fourth quarter FY 2006 totaled \$237 million – up by 234 percent from the same quarter of FY 2005. (See Table #2) Sales of both the American Buffalo Proof Coin and the American Eagle 20th Anniversary Coin Sets account for the large increase in numismatic revenues over the same quarter last year.

Bullion Fiscal Year Comparison: Bullion revenues for the fourth quarter of FY 2006 totaled \$147 million – up by 163 percent from the same quarter of FY 2005. (See Table #2) This increase was a result of the introduction of the 24-karat American Buffalo Gold Bullion Coin.

COMPARISON TO PREVIOUS QUARTER

Table #3 COMPARISON OF 4th QUARTER FY 2006 REVENUES TO 3rd QUARTER FY 2006 REVENUES (Millions of Dollars)			
Product Category	4th Qtr FY 2006	3rd Qtr FY 2006	Change
Circulating	\$304	\$352	-14%
Numismatics	\$237	\$135	+76%
Bullion	\$147	\$153	-4%
Total	\$688	\$644	+8%

Quarterly Circulating Comparison: Circulating collections for the fourth quarter FY 2006 totaled \$304 million – down by 14 percent from the third quarter FY 2006. (See Table #3) This collection’s decrease reflects a decrease in the Federal Reserve Bank’s coin order.

Projected First 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 2.4 billion coins. The FRB coin inventories are high because of higher than average backflow during the late summer/early fall timeframe.

Quarterly Numismatic Comparison: Numismatic revenues for the fourth quarter FY 2006 totaled \$237 million – resulting in a 76 percent increase over the third quarter FY 2006 (See Table #3). Once again, sales of both the 24-karat American Buffalo Proof Coins and the American Eagle 20th Anniversary Coin Sets contributed greatly to these results.

Projected First Quarter 2007 Numismatic Revenues: Next quarter’s revenues are expected to decrease to approximately \$110 million because there are no new program introductions scheduled for the first quarter. However, revenue will still be significant as a result of orders being filled in the first quarter that were placed in the fourth quarter. Revenue is booked at the time of fulfillment.

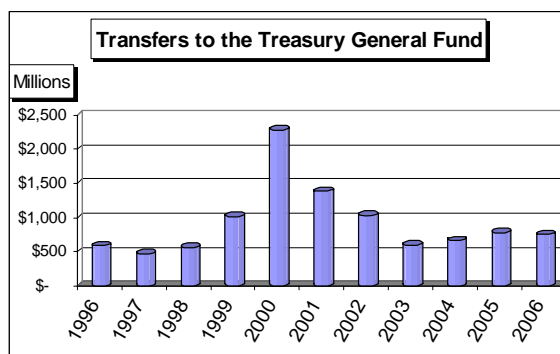
Quarterly Bullion Comparison: Bullion revenues for the fourth quarter FY 2006 totaled \$ 147 million – down by four percent from the third quarter FY 2006. (See Table #3) This was because of strong third quarter FY 2006 sales resulting from the launch of the 24-karat American Buffalo Gold Bullion Coin Program.

Projected First Quarter 2007 Bullion Revenues: Bullion revenues are expected to remain consistent or decrease slightly in the first quarter. The introduction of the American Buffalo Bullion Program resulted in unusually high sales in the third quarter FY 2006.

TRANSFER TO THE TREASURY GENERAL FUND

The Public Enterprise Fund (PEF) legislation permits the United States Mint to operate in a business-like manner, allowing the United States Mint flexibility to adjust spending to adapt to ever-changing economic and business conditions. As required by Public Law 104-52, the United States Mint retains only the amount required by the PEF to support United States Mint operations and programs and transfers all remaining funds to the Treasury General Fund.

In FY 2006, the United States Mint transferred \$750 million to the Treasury General Fund. This total comprised \$666 million in net operating results from the sale of circulating coins either to the Federal Reserve Bank or through numismatic channels (off-budget), and \$84 million from profits on numismatic collectible and bullion sales (on-budget). In comparison, \$775 million (\$730 million off-budget and \$45 million on-budget) was transferred to the Treasury General Fund in FY 2005.



The amounts transferred to Treasury are dependent upon the sales volume of United States Mint products and the costs incurred to produce those products. The total face value of circulating coins shipped to the Federal Reserve or sold through numismatic channels increased from the previous year. In a stable cost environment, an increase in circulating shipments would normally result in a larger source of funds available for transfer. However, rising metal prices during FY 2006 increased the overall costs of circulating coins, resulting in reduced funds available for transfer off-budget in comparison to FY 2005. The \$84 million on-budget transfer occurred in the first quarter FY 2006 and reflects the numismatic net income for FY 2005. This lag in the transfer of on-budget funds is necessary pending completion of the financial statements audit. Accordingly, the on-budget transfer in the first quarter in FY 2007 will reflect the audited profits from the sale of numismatic products in FY 2006.

UPDATE ON ACTIVITIES

50 STATE QUARTERS® PROGRAM

NORTH DAKOTA QUARTER

On August 30, 2006, the North Dakota commemorative quarter-dollar, "Badlands with Bison," was introduced at the Bismarck Civic Center in Bismarck, North Dakota. At the ceremony, United States Mint Deputy Director David A. Lebryk joined Governor John Hoeven, First Lady Mikey Hoeven, North Dakota Lieutenant Governor Jack Dalrymple, and President Theodore Roosevelt re-enactor Clay Jenkinson to officially introduce the North Dakota commemorative quarter-dollar to the public. The ceremony also included a quarter exchange during which attendees could purchase \$10 rolls of new North Dakota quarters.

The North Dakota quarter depicts a pair of grazing American bison in the foreground with a view of the rugged buttes and canyons that help define the State's Badlands region in the background. As the 39th state to be admitted into the Union, the North Dakota quarter is the 39th quarter released in the United States Mint 50 State Quarters® Program, and the fourth quarter released in 2006.

50 STATE QUARTERS COIN DESIGN PROCESS

The United States Mint received the design concepts from the states that will be honored in 2008, the final year of the popular 50 State Quarters Program. In August, the assignment for Alaska was given to both the Artistic Infusion Program (AIP) artists as well as to the United States Mint sculptor-engravers. Assignments for the other 2008 states will be made in October 2006.

PRESIDENTIAL \$1 COIN ACT OF 2005

PRESIDENTIAL \$1 COIN DESIGN PROCESS

United States Mint sculptor-engravers and AIP artists were tasked to develop designs for the 2008 Presidential \$1 Coin Program in mid-August with final designs due September 8, 2006. Designs are scheduled to be presented to the Commission of Fine Arts (CFA) and the Citizens Coinage Advisory Committee (CCAC) in the first quarter of 2006.

PRESIDENTIAL \$1 COIN OUTREACH

The United States Mint secured the services of a public relations firm to develop and implement a multi-year, nationwide integrated communication strategy to promote public information, education and awareness about Presidential \$1 Coins. The program strategy will incorporate communication plans that are targeted to specific coin user groups, stakeholders, education organizations and institutions, and Federal agencies, as well as the broader general public. These plans will serve as the foundation for stimulating the general public's demand for, and encourage the acceptance and robust circulation of, dollar coins. The plans will include specific and detailed tactics designed to educate the public about the special features, uses, and historical value of Presidential \$1 Coins.

FIRST SPOUSE DESIGN PROCESS

The Presidential \$1 Coin Act of 2005 honors the spouses of Presidents with gold coins and bronze medals. The design on the obverse of each coin or medal will bear the name and likeness of the First Spouse. The design on the reverse of each coin or medal will bear images emblematic of the life and work of the first spouse. For any President who served without a spouse, the legislation requires the design on the obverse to be emblematic of the concept of liberty as represented on a United States coin issued during the period of service of such President and the design on the reverse to be representative of themes of such President.

On August 2, 2006, the Secretary of the Treasury approved final designs for coins honoring Martha Washington, Abigail Adams, Dolley Madison and Thomas Jefferson's Liberty.

On August 18, 2006, the CCAC reviewed the design narratives for the 2008 First Spouse program honoring Elizabeth Monroe and Louisa Adams and the narratives representing the presidencies of Andrew Jackson and Martin Van Buren, who were not married during their terms of service.

THE ARTISTIC INFUSION PROGRAM

The AIP artists were tasked to develop obverse designs for the 2008 Presidential \$1 Coin Program; the designs for the Congressional Gold Medal honoring the Tuskegee Airmen; and the commemorative quarter-dollar for Alaska, the first to be assigned in the 2008 50 State Quarters Program.

A "Call for Associate Artists" was issued on August 7, with the deadline for submissions on September 15, 2006. The "Call for Student Artists" was issued on September 15, with a deadline of October 16, 2006. Both nationwide calls are in response to the restructuring of the program for 2007 and the need to supplement the current pool of Master Designers.

THE UNITED STATES MINT EDUCATIONAL INITIATIVE (MEI)

New educational content posted to the website in the fourth quarter includes *Making Cents* – the fall edition of the quarterly newsletter, as well as "State Quarter Day in the Classroom" information for North Dakota. The following features were also added: Constitution Day page, Independence Day page and Back to School - a resource page, guiding teachers to new and useful features on the website.

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

July – 1936 Battle of Gettysburg Half Dollar
August – 1878 Morgan Silver Dollar
September – North Dakota Quarter

OTHER HIGHLIGHTS

COMMEMORATIVE COIN PROGRAMS

Designs for the Little Rock Central High School Desegregation Silver Dollar were completed and reviewed by the CFA and the CCAC during this quarter. Recommendations were submitted to the Secretary of the Treasury for review. This silver dollar will commemorate the 50th anniversary of the desegregation of Little Rock Central High School and its contribution to civil rights in America. This coin, the second commemorative in 2007, will follow the release of the Jamestown 400th Anniversary Commemorative Coin Program.

The Secretary of the Treasury approved the designs for the San Francisco Old Mint Commemorative Coin Program on August 4, 2006. This two-coin program, featuring a five-dollar gold coin and a silver dollar, honors the San Francisco Old Mint, its importance to California and the history of the United States, and its role in rebuilding San Francisco after the 1906 earthquake and fire. The San Francisco Old Mint survived the 1906 earthquake and fire, and it operated as a financial center for the city during its recovery.

The obverse design of the \$5 gold coin is a rendition of the Old Mint modeled on the original 1869 construction drawing by A.B. Mullett. The reverse design is a replica of the 1906 Half-Eagle Coronet Liberty eagle reverse, designed by Christian Gobrecht.

The obverse design of the silver dollar is a rendition of the San Francisco Old Mint, originally prepared for the San Francisco Mint Medal by Sherl J. Winter. The reverse design is a replica of the 1904 Morgan Silver Dollar eagle reverse, designed by George T. Morgan. Both coins will be struck at the current United States Mint at San Francisco and carry the distinctive "S" mint mark of that facility.

The coins went on sale on August 15, 2006. Each coin is offered individually with a proof and uncirculated finish. In addition, the proof silver dollar is included in the 2006 United States Mint American Legacy Collection™, which also went on sale on August 15, 2006. This product has a limit of 50,000 units. A household order limit of 100 units for each of the individual coin options was instituted and a limit of 10 units per household for the American Legacy Collection.

The President signed into law this quarter two commemorative coin programs for 2009. The President approved the Louis Braille Commemorative Coin Act on July 27, 2006. This legislation authorizes the Secretary of the Treasury to mint and issue no more than 400,000 silver dollars emblematic of the life and legacy of Louis Braille. The President approved the Abraham Lincoln Commemorative Coin Act on September 27, 2006. It authorizes the Secretary of the Treasury to mint and issue no more than 500,000 silver dollars emblematic of the life and legacy of President Abraham Lincoln.

PUBLIC INFORMATION SITE

Several areas of the United States Mint's public information website were updated to support the agency's products and programs, including a Presidential \$1 Coin Act section and new pages for the 2006 San Francisco Old Mint Commemorative Coin Program.

The launch of the Historian's Corner was a significant achievement in the fourth quarter. Visitors can view rarely-seen primary documents to learn about the history of the United States Mint and of coinage in

the United States. These searchable source materials provide snapshots of the life and times of the United States Mint. The Historian's Corner also features an expanded coin image library - search images of coins produced by the United States Mint from 1892 to 1954 and view an interactive timeline presenting important people, places and events in the history of the United States Mint.

Additional new content includes the new Artistic Infusion Program application, updates to the Westward Journey Nickel Series and Consumer Awareness Hot Items pages, and new Coins Online monthly newsletters.

The main site had 5,939,425 visits during the quarter, an increase of 57% over the same quarter last year.

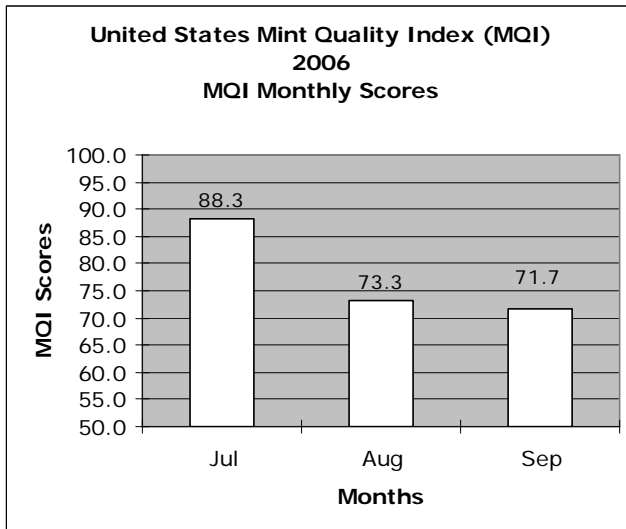
AUDITS AND REPORTS

Treasury Office of Inspector General (OIG): The Treasury 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 for Fiscal Year 2006. The OIG Draft Report was issued for comment September 2006; issuance of the final report is anticipated within the near future.

Government Accountability Office (GAO): The GAO has initiated a review of the rising costs of producing the one-cent and 5-cent circulating coins in response to a request by the Chairman of the House Appropriations Subcommittee on Transportation, Treasury and Housing and Urban Development. Because of rising metals costs, GAO will report specifically on any studies the United States Mint has made of alternative metals or alloys to be used for the production of circulating coins to minimize production costs.

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 objective of the United States Mint Quality Index (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 Denver and Philadelphia Mints for the fourth quarter in FY06. Opportunities for improvement have been identified at both United States Mint 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 0.79 for FY 2006. This is a 16 percent reduction from FY 2005, and marks the sixth consecutive year the United States Mint has improved this rate. These results indicate that our injury management programs are on course to achieve our 2007 strategic plan goal of 0.62. Our latest metric, the recordable injury rate, was 3.34 in FY 2006, falling short of our goal of 2.81. In 2007, we will increase our efforts to improve the effectiveness of our prevention programs to address these concerns. During the fourth quarter, the United States Mint at West Point passed the one-year mark without a lost time injury; it became the third United States Mint facility to achieve this accomplishment this fiscal year.

DENVER CLASS ACTION COMPLAINT

In March 2006, the United States Mint and the female employees who filed a class complaint alleging sex discrimination, harassment, and retaliation at the United States Mint at Denver reached a proposed settlement. The terms of the settlement include a payment of \$8,990,000 for damages, fees, and costs to the class, which is composed of permanent and temporary female employees of the Denver plant employed on or after January 21, 2003. The terms also include injunctive relief, as well as the appointment of an independent monitor at the Denver facility for a three-year period. By entering into the settlement, the Agency and the class sought to avoid the potentially massive expense, delay, and burdens of further administrative proceedings. Further, while the Agency denied liability, it believes that the settlement is consistent with, and reaffirms its commitment to, ensuring that the United States Mint at Denver is a model workplace that fosters diversity and equal employment opportunity. On August 23, 2006, the Equal Employment Opportunity Commission Administrative Judge approved the settlement agreement as a fair and just resolution of the matter.

MIGRATION TO THE ADMINISTRATIVE RESOURCE CENTER

During the fourth quarter, the team responsible for the migration to the Bureau of Public Debt's Administrative Resource Center (ARC) initiative made final preparations for the targeted October 1, 2006, go-live date. The team conducted a number of diagnostic tests, as well as mock data conversions, to ensure the transition of data from the PeopleSoft system to the Oracle system goes smoothly. Team members also executed an established cut-over strategy, including the initiation of data conversion from the PeopleSoft system to the new Oracle system and the implementation of temporary processes prior to the October 1, 2006, go-live. Additionally, during this quarter, subject matter experts from both the United States Mint and ARC traveled to the field facilities to train the end-user population. The actions executed during this quarter were taken to ensure a successful go-live on October 1, 2006.