



UNITED STATES MINT

Report to Congress on Operations

From January 1 through March 31, 2006
Second Quarter FY 2006



"The Scientist"



"The Founding Father"

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.

Contents

Summary.....	1
State of the United States Mint.....	2
Update on Activities.....	5
Other Highlights.....	9

• Second Quarter FY 2006 Financials:

- **Year-to-Date Comparison:** Year-to-date revenues for the second quarter FY 2006 were 28% higher than year-to-date revenues for the second quarter FY 2005.
 - **Second Quarter Comparison:** Revenues for the second quarter of FY 2006 were 18% higher than revenues for the second quarter of FY 2005.
 - **Comparison to Previous Quarter:** Revenues for the second quarter of FY 2006 were 29% higher than revenues for the first quarter of FY 2006.
- The United States Mint released the 2006-dated "Return to Monticello" 5-cent coin.
 - The Nevada commemorative quarter-dollar was launched.
 - The Benjamin Franklin Commemorative Coin Program was launched.
 - The United States Mint's safety record continued to improve.
 - Employees at the United States Mint at Denver achieved a milestone by working one million hours without a lost time accident -- close to two years without a day lost to injury.
 - The popularity of the United States Mint's website continued to grow.
 - The United States Mint Education Initiative continued to develop new and popular educational products.
 - Designs for Presidential \$1 coins were reviewed by the advisory committees. Consistent with the legislation, planning is underway for a dollar coin users group forum to assist in gauging demand for coins and eliminating obstacles to distribution. The Federal Reserve and the United States Mint will jointly host this forum.

OTHER HIGHLIGHTS

Approved designs for a new 24-karat gold bullion coin were also released during the second quarter./The United States Mint has licensing agreements with four licensees.

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.
- 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 on their weight in specific precious metals. (By contrast, the numismatic value of other types of coins generally depends on factors such as mintage, rarity, condition and age.) These products -- which are not sold directly to the general public by the United States Mint -- are available 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 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 2nd QUARTER 2006 TO 2nd QUARTER 2005 (Millions of Dollars)			
Product Category	Year-to-Date through 2nd Qtr FY 2006	Year-to-Date through 2nd Qtr FY 2005	Change
Circulating	\$616	\$440	+40%
Numismatics	\$152	\$174	-12.6%
Bullion*	\$236	\$170	+39%
TOTAL	\$1004	\$784	+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 2006 totaled \$616 million -- up by 40 percent from the same quarter of FY 2005. (See Table #1.)

The United States Mint's circulating collections fluctuate because variations in the US 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 2006 totaled \$152 million -- down by 12.6 percent from the same quarter of FY 2005. (See Table #1.) This revenue decrease resulted, in part, from the December 2005 sell-out of the following 2005 United States Mint products: Proof and Silver Proof Sets, 50 State Quarters Proof Set, and the Uncirculated Set. The normal selling cycle allows for prior year products to sell up until the introduction of the current year's products. Because of these sell outs, there were no 2005-dated sets available to sell in the second quarter until the introduction of the 2006 United States Mint sets.

Year-to-Date Bullion Revenues: Year-to-date bullion revenues through the second quarter of FY 2006 totaled \$236 million -- up by 39 percent from the same quarter of FY 2005. (See Table #1.)

SECOND QUARTER COMPARISON: FY 2006 TO FY 2005

Table #2 COMPARISON OF 2nd QUARTER FY 2006 REVENUES TO 2nd QUARTER FY 2005 REVENUES (Millions of Dollars)			
Product Category	2nd Qtr FY 2006	2nd Qtr FY 2005	Change
Circulating	\$321	\$253	+27%
Numismatics	\$76	\$100	-24%
Bullion *	\$169	\$127	+33%
TOTAL	\$566	\$480	+18%

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

Circulating Third Quarter Comparison: Circulating collections for the second quarter of FY 2006 totaled \$321 million -- up by 27 percent from the same quarter of FY 2005. (See Table #2.) This collection's increase reflected an increase in the Federal Reserve Bank's coin order.

Numismatic Fiscal Year Comparison: Numismatic revenues for the second quarter of FY 2006 totaled \$76 million -- down by 24 percent from the same quarter of FY 2005. (See Table #2.) This revenue decrease resulted, in part, from the December 2005 sell-out of the following 2005 United States Mint products: Proof and Silver Proof Sets, 50 State Quarters Proof set, and the Uncirculated Set. The normal selling cycle allows for prior year products to sell up until the introduction of the current year's products. Because of these sell-outs, there were no 2005-dated sets available to sell in the second quarter until the introduction of the 2006 United States Mint sets.

Bullion Fiscal Year Comparison: Bullion revenues for the second quarter of FY 2006 totaled \$169 million - up by 33 percent from the same quarter of FY 2005. (See Table #2.)

COMPARISON TO PREVIOUS QUARTER

Table #3 COMPARISON OF 2nd QUARTER FY 2006 REVENUES TO 1st QUARTER FY 2006 REVENUES (Millions of Dollars)			
Product Category	2nd Qtr FY 2006	1st Qtr FY 2006	Change
Circulating	\$321	\$295	+9%
Numismatics	\$76	\$76	0%
Bullion*	\$169	\$67	+152%
Total	\$566	\$438	+29%

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

Quarterly Circulating Comparison: Circulating collections for the second quarter of FY 2006 totaled \$321 million --up by 9% from the first quarter of FY 2006. (See Table #3.) This collection's increase is consistent with the United States Mint's shipment of 3.9 billion coins to the Federal Reserve Bank during the second quarter of FY 2006 -- up by 5 percent from the 3.7 billion coins shipped during the first quarter of FY 2006.

Projected Third Quarter 2006 Circulating Collections: Circulating collections are expected to increase next quarter in concert with an increase of the Federal Reserve's forecasted coin order to 4.6 billion coins.

Quarterly Numismatic Comparison: Numismatic revenues for the second quarter of FY 2006 totaled \$76 million -- resulting in no change from the first quarter of FY 2006. (See Table #3). This revenue equilibrium resulted from the offset of higher American Eagle revenue in the second quarter versus the first quarter, and lower commemorative coin program and interagency partnership revenue in the second quarter versus the first quarter.

Projected Third Quarter Numismatic Revenues: Next quarter's revenues are expected to increase to \$100 million because the Benjamin Franklin Commemorative Coins will be shipped and revenue will be recognized. In addition, the following 2006 United States Mint products will be released: United States Mint Silver Proof Set and the United States Mint Uncirculated Coin Set.

Quarterly Bullion Comparison: Bullion revenues for the second quarter of FY 2006 totaled \$169 million -- up 152 percent from the first quarter of FY 2006. (See Table #3.)

Projected Third Quarter 2006 Bullion Revenues: Bullion revenues are expected to increase next quarter because of two factors: rising precious metal prices and the introduction of the 24 Karat American Buffalo Gold Bullion Coin in mid-June.

UPDATE ON ACTIVITIES

THE 2006-DATED 5-CENT COIN

On January 12, 2006, officials at the United States Mint introduced into circulation the Nation's first circulating coin featuring the image of a United States President facing forward. The launch was marked by pouring hundreds of the new coins from a replica of a silver goblet originally designed by President Thomas Jefferson. The Nation's coinage has depicted only the profiles of Presidents for nearly a century. The image of President Thomas Jefferson on this new coin is based on a Rembrandt Peale portrait of Jefferson, painted in 1800.

The United States Mint expects to ship approximately a billion of the new 5-cent coins (nickels) to the Nation's 12 Federal Reserve banks in 2006. The forward-looking Jefferson is expected to grace the nickel for years to come.

The new coin completes the United States Mint's popular Westward Journey Nickel Series™, which commemorates the bicentennials of the Louisiana Purchase and the Lewis and Clark expedition.

50 STATE QUARTERS® PROGRAM

NEVADA LAUNCH

On January 31, 2006, the Nevada commemorative quarter-dollar, "The Silver State," was launched at the Nevada Capitol building in Carson City, Nevada. At the ceremony, United States Mint Acting Director David A. Lebryk joined Governor Kenny C. Guinn, Nevada State Treasurer Brian K. Krolicki and Mark Twain (re-enactor McAvoy Layne) to officially launch the Nevada quarter to the public. The launch also included a quarter exchange during which attendees could purchase \$10 rolls of new Nevada quarters.

The Nevada quarter-dollar depicts a trio of wild mustangs, the sun rising behind snow-capped mountains, a sagebrush border and a banner that reads "The Silver State."



As the 36th state to be admitted into the Union, Nevada's quarter is the 36th quarter released in the United States Mint 50 State Quarters Program. It is the first quarter released in 2006.

50 STATE QUARTERS DESIGN PROCESS

In January 2006, the final design candidates for the states being honored in 2007 (Montana, Washington, Idaho, Wyoming, and Utah) were reviewed by the Citizens Coinage Advisory Committee (CCAC) and the Commission of Fine Arts (CFA), and all comments and suggested revisions by the advisory committees were shared with the states. In February 2006, the final design candidates were forwarded to the Secretary of the Treasury for approval. As of March 30, 2006, the design candidates for Montana,

Washington, Idaho, and Utah were approved and will be returned to the states for their final recommendation.

PRESIDENTIAL \$1 COIN ACT OF 2005

New designs created for the Presidential \$1 Coins were presented to the CCAC and the CFA during the second quarter of FY06. The committees reviewed obverse designs for each of the first four United States Presidents: George Washington, John Adams, Thomas Jefferson and James Madison. In addition, reverse designs featuring the Statue of Liberty and edge lettering templates were considered.

The United States Mint is also working with identified experts to develop narratives that will be used by the agency's artists and sculptor-engravers to create designs for the corresponding First Spouse gold bullion coins.

Designs for a new 24-karat gold bullion coin were also released during the second quarter. The coin, known as the American Buffalo Gold Bullion Coin, will feature the images originally executed by sculptor James Earle Fraser for the 1913 Type I Buffalo, or Indian Head, nickel. The Buffalo nickel was produced from 1913 to 1938 and is considered by many numismatists to be among the most beloved American coinage designs. The American Buffalo Gold Bullion Coin will be the first 24-karat gold coin ever produced by the United States Mint and will be released in June 2006.

The Presidential \$1 Coin Act of 2005 also requires the Secretary of the Treasury and the Board of Governors of the Federal Reserve to consult regularly with a coin users group. The purpose for these consultations is to gather ideas, advice, and information from various stakeholders, on an individual basis, to assist in accurately gauging demand for coins and to anticipate and eliminate obstacles to the easy and efficient distribution and circulation of \$1 coins as well as all other circulating coins.

The United States Mint and Federal Reserve are planning to host in May a coin users group forum, at which Federal officials will have the opportunity to consult with leaders of businesses and industries involved in the use of circulating coins, especially \$1 coins. Holding this forum is one of several measures the Act requires the Secretary and the Board of Governors to take to ensure that adequate supplies of coins are available for commerce and collectors.

THE UNITED STATES MINT EDUCATIONAL INITIATIVE

During the second quarter of FY 2006, the following new resources were added to the United States Mint H.I.P. Pocket Change™ website: a new game for the Benjamin Franklin Commemorative Coin Program, lesson plans for K-12 grades on the 2006 quarters of the 50 State Quarters® Program and the 2006 nickel of the Westward Journey Nickel Series™, and a new section of the "Time Machine" relating to the Civil War.

Educational materials on the following topics were also added to the United States Mint H.I.P. Pocket Change website:

1. The Benjamin Franklin Commemorative Coin Program
2. The Nevada commemorative quarter-dollar in January
3. The Nebraska commemorative quarter-dollar in March

Record numbers during this quarter include more than 870,000 visits to the website, an increase of 45 percent over the same quarter last year. Downloaded nickel lesson plans also showed a record gain with over 52,000 downloads - a 79 percent increase.

In support of the financial literacy initiative, the United States Mint H.I.P. Pocket Change™ team encouraged financial health by staffing a booth at the NBC "Health and Fitness Expo" in January in Washington, DC. More than 80,000 people attended the Expo, and 93 new teachers signed up for the Teachers' Network.

Learning Magazine's January 2006 issue published an editorial highlighting the website and its lesson plans.

MINT DIRECTORS CONFERENCE

On February 3-5, 2006, the United States Mint participated in the semi-annual Mint Directors Conference (MDC) meetings held at the World Money Fair in Berlin, Germany. The United States Mint led the MDC Internal Affairs Session with an agenda covering topics such as the upcoming XXIV MDC in Paris, France; the transfer of responsibilities for the Benchmarking Committee from the Mexican Mint to the German Mint; and updated reports from other committees (Technical, Marketing, Benchmarking, CRO, and the "Future of Money" Task Force). During the conference, MDC committee meetings and individual meetings with the MDC Council (Monnaie de Paris and the Royal Dutch Mint), the Royal Canadian Mint, and the Austrian Mint were also held. In addition, a meeting was hosted by Monnaie de Paris with the champions of the sessions for the XXIV MDC, scheduled May 1-4, 2006 in Paris.

THE ARTISTIC INFUSION PROGRAM

In January, the United States Mint announced that the 2006 American Eagle Platinum Proof Coin design by Artistic Infusion Program (AIP) Master Designer Joel Iskowitz was selected as the final design.

In February, the AIP artists, in addition to the United States Mint sculptor-engravers, were tasked to develop designs for the 2007 Presidential \$1 Coin obverses representing Presidents George Washington, John Adams, Thomas Jefferson and James Madison.

On March 23-24, 2006, the third annual AIP Symposium was held at the United States Mint Headquarters in Washington, DC. AIP artists and United States Mint sculptor-engravers attended the two-day event that included in-depth discussions on coinability standards, legal/contractual requirements, and presentations by both the CCAC and the CFA.

OTHER HIGHLIGHTS

COMMEMORATIVE COIN PROGRAMS

2006 BENJAMIN FRANKLIN SILVER DOLLAR

The Benjamin Franklin Commemorative Coin Program was introduced on January 17, 2006. This program includes two silver dollar coins: "The Scientist" which, on its obverse, recreates a rendition of Franklin and his legendary kite experiment and, on its reverse, recreates Franklin's "Join, or Die" political cartoon published in the *Pennsylvania Gazette* on May 9, 1754; and "The Founding Father," which, on its obverse, features a familiar image of Franklin in his later years based on a bust by Jean-Antoine Houdon and on its reverse features a replica of the 1776 Continental Currency dollar, a design attributed to Franklin in honor of his contributions to the development of our Nation's coinage and currency.

The program included five product options: each coin individually in proof and uncirculated condition and the Benjamin Franklin Coin & Chronicles Set, limited to 50,000 units. This special set included an uncirculated Scientist coin, a re-print of the 1758 edition of *Poor Richard's Almanack*, an intaglio print of the signing of the Declaration of Independence from the Bureau of Engraving and Printing and four stamps honoring Franklin issued by the United States Postal Service. Order limits for the program, per standard policy, were announced when the products became available for sale. The program proved very popular, selling out within a very short time frame. A Founding Father proof coin will be available later in the year as part of the 2006 United States Mint American Legacy Collection™, which will be limited to 50,000 units.

2007 JAMESTOWN 400TH ANNIVERSARY COMMEMORATIVE COIN

Designs for the 2007 Jamestown 400th Anniversary Coin Program were reviewed by the CFA and the CCAC during the 2nd quarter of FY 2006, and final recommendations were received from the recipient organizations.

2007 COMMEMORATIVE COIN – 50TH ANNIVERSARY OF LITTLE ROCK H.S. DESEGREGATION

Legislation passed, and was signed by the President on December 22, 2005, for a silver dollar commemorating the 50th anniversary of the desegregation of Little Rock Central High School in 2007. Discussions with the recipient organization began, and requests for source materials for designs were made. This will be the second commemorative coin program in 2007.

THE CITIZENS COINAGE ADVISORY COMMITTEE

The CCAC met twice during the quarter, on January 24, 2006, and again on February 28, 2006, to discuss a wide variety of upcoming coinage designs. Both of these meetings were held at the United States Mint Headquarters in Washington, D.C. At the January public meeting, the CCAC reviewed proposed designs for all five of the 50 State Quarters coins to be released in 2007: Montana, Washington, Idaho, Wyoming and Utah. In addition, the CCAC reviewed proposed templates and Presidential Medal designs for the obverse of the upcoming Presidential \$1 Coins. The CCAC recommended that new presidential portraits be created for the series. The CCAC also considered designs for both of the coins to be minted for the Jamestown 400th Anniversary Commemorative Coin Program. The CCAC also reviewed designs for the American Buffalo Gold Coin Program, unanimously supporting the use of James Earle Fraser's designs, known as Type I, for the 1913 5-cent coin, more commonly known as the Buffalo, or Indian Head, nickel.

At the February meeting, CCAC members reviewed new proposed designs for the obverse of the 2007 Presidential \$1 Coins. Members recommended a consistent arrangement of Presidents' names, order of service and dates of service throughout the series. CCAC members also reviewed designs for a common Presidential \$1 Coin reverse design, which will feature the Statue of Liberty. Three examples of edge-incused lettering for the Presidential \$1 Coin were also discussed. Finally, the withdrawal of several original designs presented to the CCAC in January 2006, resulted in a second review of designs for the Jamestown 400th Anniversary Commemorative Coin Program.

AUDITS AND REPORTS

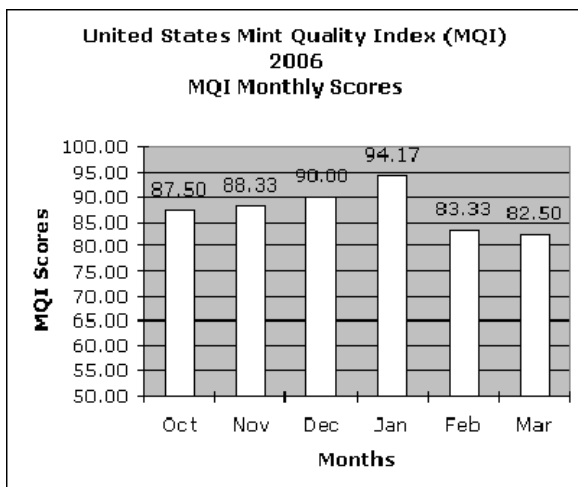
Government Accountability Office (GAO): On January 30, 2006, the United States Government Accountability Office terminated its Treasury-wide review of law enforcement personnel training. This action was the result of the expansion of the scope of GAO's work to include Federal law enforcement training (operational, first responder, and counter-terrorism) in all Federal agencies, not just the Department of the Treasury.

Treasury Office of Inspector General (OIG): On February 24, 2006, the OIG issued a letter of notification to the United States Mint, the Office of the Comptroller of the Currency (OCC), and the Treasury Communication System (TCS) of its plans to conduct an audit to determine agency disaster recovery capability.

The OIG initiated a review during the second quarter of FY 2006 of Treasury Department compliance with the Federal Information Security Management Act of 2002 (FISMA). The review objective is to assess the level of Treasury Department compliance with FISMA requirements.

QUALITY

The United States Mint, through a cross-functional team composed of production, quality, and administrative personnel, conducts periodic product quality audits at its manufacturing facilities. A statistically significant sampling of coin products is evaluated, and the number of “defects” found is entered into a weighted index formula resulting in the 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 two quarters in FY06. Opportunities for improvement have been identified at both facilities.

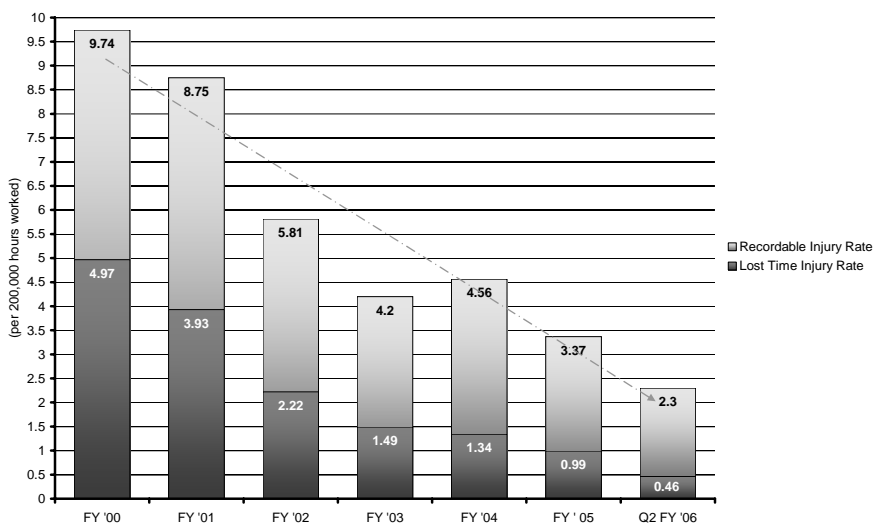
SAFETY

The United States Mint’s primary measure for injury and illness is the Lost Time Injury Rate. This rate is determined by the number of work-related injuries and illnesses that result in one or more lost work days per 200,000 hours worked; therefore, the lower the number, the better the result. From 2000 through 2005, the rate declined from 4.97 to 0.99, a reduction of 80%; from 2005 through the first half of 2006, the rate further declined to 0.46, an additional 54%. The improvement already exceeds the Strategic Plan goal for 2007 by 26%.

The Recordable Injury Rate is another measure used to gauge the effectiveness of the safety program. This rate covers all injuries and illnesses that are more serious than simple first aid. Through the first half of 2006, this rate went from 3.37 to 2.30, a decline of 32%. This new rate is well ahead of the goal for 2006 and in-line to achieve the milestone of 2.41.

During the 2nd quarter, employees at the United States Mint at Denver achieved a milestone by working one million hours without a lost time accident, close to two years without a day lost to injury.

Our Vision is Zero Injuries



LICENSING

The United States Mint Office of Licensing currently maintains licensing agreements with four licensees that introduced a variety of Official United States Mint Licensed Products, increasing brand extension and brand awareness. The licensees are as follows:

- Whitman Publishing
- Peak Capital Group
- Fuller Fine Jewelry
- Hallmark Group, Ltd.

During the second quarter of FY06, the United States Mint's Licensing activities earned approximately \$76,458 in royalties and \$181,883 in coin sales revenue.

The United States Mint Licensed Products kiosks pilot program expired on February 1, 2006. During this time, the United States Mint earned approximately \$517,929 in royalties from the operation of eleven kiosks located at major financial institutions and malls in two states.

PARTNERSHIPS

Bureau of Engraving & Printing (BEP) – An intaglio print of the signing of the Declaration of Independence originally executed by BEP is included in the Benjamin Franklin Coin & Chronicles Set.

United States Postal Service (USPS) – A collection of four new \$.39 stamps issued by USPS honoring Benjamin Franklin is included in the Benjamin Franklin Coin & Chronicles Set.

National Archives and Records Administration (NARA) – The United States Mint met with NARA to discuss possible collaborations in conjunction with future programs and products.