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**Penn Manor School District
General Fund
June 30, 2003**

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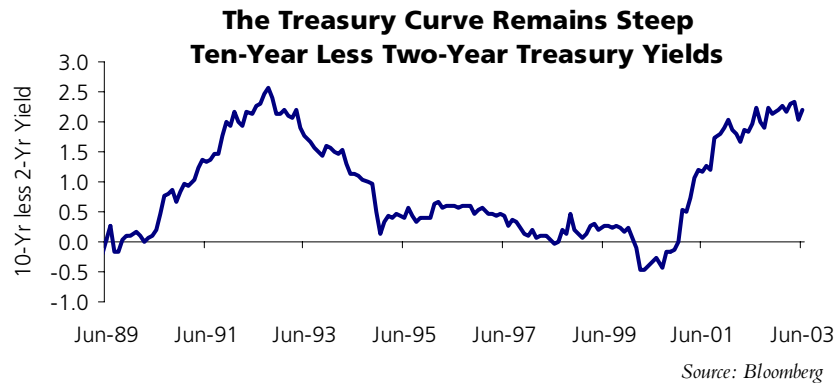
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Market Overview

The Federal Reserve held center stage through June, just as it did most of the quarter, as it set the scene for its policy to prevent deflation. Cutting its target for the fed funds rate to 1.00% the Fed closed a quarter that has seen yields fall to lows not seen in nearly 50 years. The two-year treasury yield fell to 1.08%, before closing the month at 1.31%. The ten-year treasury yield fell to 3.11% before closing the month at 3.51%. Interestingly, while rates hit historic lows during June, they finished higher for the month. There is enough evidence that economic activity will pick up in future quarters that investors are wary of the need for further stimulus. The corporate bond sector has been especially reflective of the friendly credit conditions businesses face this year. Along with lower rates and a stronger stock market, investors are showing a greater willingness to take risk. Corporate bond returns continued to outperform government bonds through June. The rise in long term yields near the end of the month suggests more investors are looking to reduce their bond risk in anticipation that the Federal Reserve will be successful in its efforts to reflate the economy.



Economy

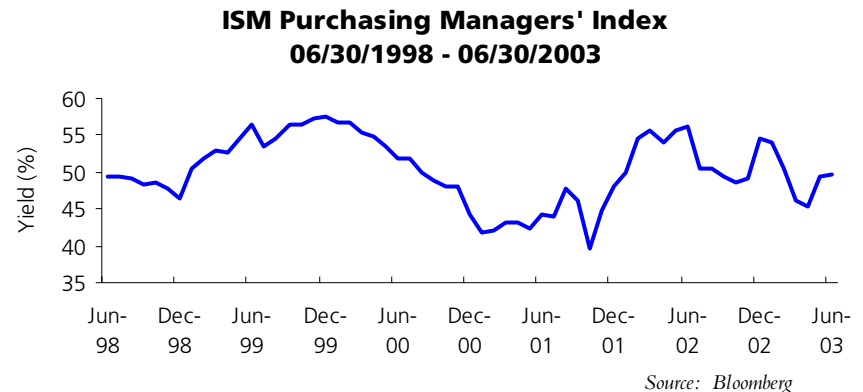
GDP: Gross Domestic Product rose a revised 1.4% for the first quarter of 2003, down from earlier estimates due to lower inventory accumulation. The GDP deflator rose at an annual rate of 2.4%. On a year-over-year basis, GDP is 2.0% higher through March 31, 2003. Forecasts for the second quarter of 2003 are for a similar pace of growth.

Inflation: The Consumer Price Index was unchanged in May, and is up 2.1% on a year-over-year basis. Excluding the food and energy components, the core CPI was up 0.3% for May, and 1.6% from a year ago.

Fed: The FOMC cut the fed funds rate to 1.00% on June 25th. In its statement it referred to the balance of risks to growth to be roughly equal, the risk of an unwelcome substantial fall in inflation exceeds the probability of a pickup, and that the latter view is likely to predominate for the “foreseeable future”.

ISM: The Institute of Supply Management purchasing managers’ survey index rose to 49.8, somewhat below market expectations. However, the new orders component rose to suggest a pickup in manufacturing activity in future months.

Corporate Earnings: Earnings estimates continue to be optimistic, even with relatively slow revenue growth. This optimism is fueled by a number of factors, including the recently enacted Jobs and Growth tax cuts, which should boost economic growth. In addition, the weaker dollar increases the competitiveness of domestic producers and enhances the dollar value of profits from overseas subsidiaries. Companies have responded to the sluggish revenue growth by cutting costs and increasing their productivity. This suggests that operating leverage could be surprisingly strong if sales growth improves only modestly.

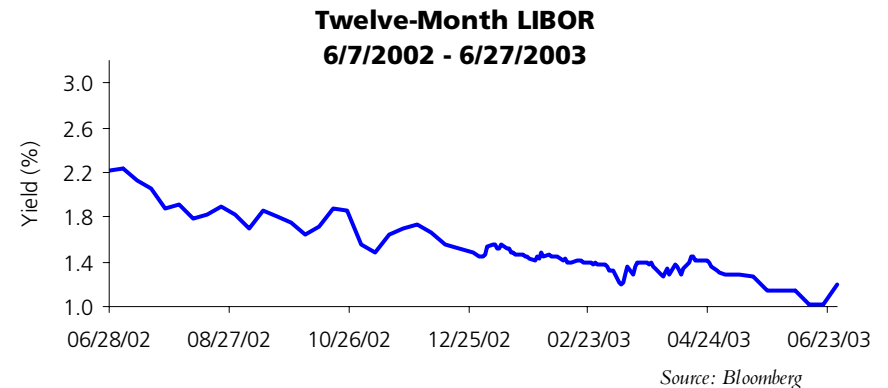
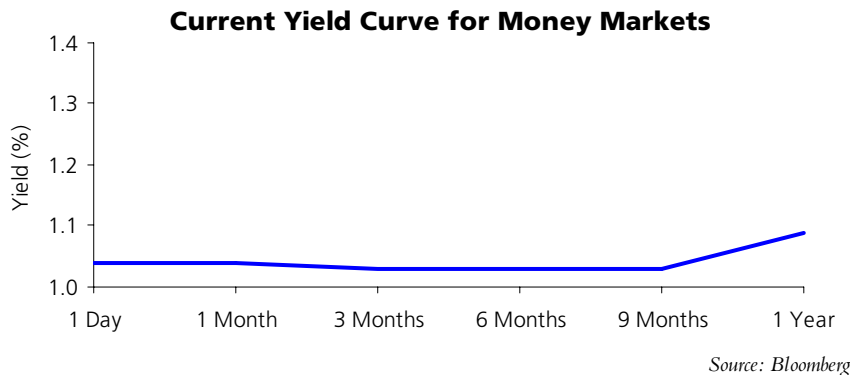


Cash Management

For most of the month the money market focused on the Federal Reserve's meeting on June 25. Opinions differed as to whether the Fed would cut the fed funds rate by 25 or 50 basis points. Market yields reflected the uncertainty by pricing 30- to 90-day maturity paper about half way between a 25 and 50 basis point cut, which was below 1.00%. When the Fed cut rates by only 25 basis points to 1.00%, yields on those maturities actually rose a bit. Of course very short rates declined from about 1.25% to about 1.00%.

Treasury bills continue to have noticeably lower yields than other short-term instruments. The 3-month bill ended June with a yield of only 0.85%.

The Fed has increasingly used communication as a tool for monetary policy. Official statements by the Fed and speeches by Fed officials have emphasized that they consider deflation to be a potential threat. The Fed has strongly implied that it will not take preemptive action by raising rates to forestall inflation. Rather, they will keep short-term rates low for the foreseeable future in order to guard against the new enemy of deflation.



Portfolio Asset Allocation

Penn Manor School District General Fund

	Quantity (Units)	Amortized Cost	Market Value	Market Yield	Estimated Income	Percent Assets
Cash	9,256,751	9,256,751.43	9,256,751.43	0.63%	58,317.53	85.75%
Fixed Income	1,500,000	1,538,610.00	1,538,437.50	1.11%	71,250.00	14.25%
Total	10,756,751	10,795,361.43	10,795,188.93	0.70%	129,567.53	100.00%

Fixed Income Holdings

Penn Manor School District General Fund

	Rating	Purchase Date	Quantity (Units)	Security Description	Amortized Cost	Market Value	Unrealized Gain/Loss	Accrued Income	Trade Yield	Mkt Yield	Avg Life	Mod Dur	Percent Assets
Cash/MMF			9,256,751	Cash/Money Market -CASH-	9,256,751.43	9,256,751.43	0.00	0.00	0.63%	0.63%	0.00	0.00	85.75%
Agency	AGY/AGY	06/30/03	1,500,000	FNMA Global 4.750 03/15/04 31359MHJ5	1,538,610.00	1,538,437.50	-172.50	20,979.17	1.08%	1.11%	0.71	0.69	14.25%
Total			10,756,751		10,795,361.43	10,795,188.93	-172.50	20,979.17	0.69%	0.70%	0.10	0.10	100.00%

Detailed Transaction Summary

Penn Manor School District General Fund

Trade Date	Settlement Date	Trans Type	Quantity (Units)	CUSIP	Security Description			Trans Price	Principal Amount	Net Amount	Trade Yield	Realized Gain/Loss
06/30/03	07/01/03	Buy	1,500,000	31359MHJ5	FNMA Global	4.750	03/15/04	102.574	1,538,610.00	1,559,589.17	1.08%	0.00
06/30/03	06/30/03	Mature	700,000	31331HXA0	FFCB	6.230	06/30/03	100.000	700,000.00	700,000.00		0.00
06/30/03	06/30/03	Mature	2,422,000	313396HN6	FHLMC Discount Note	0.000	06/30/03	100.000	2,422,000.00	2,422,000.00		0.00
06/30/03	06/30/03	Mature	843,000	31364AZT2	FNMA	6.050	06/30/03	100.000	843,000.00	843,000.00		0.00
06/30/03	06/30/03	Mature	3,811,000	313588HN8	FNMA Discount Note	0.000	06/30/03	100.000	3,811,000.00	3,811,000.00		0.00
06/30/03	06/30/03	Mature	90,000	586262AC1	Memphis First Bank	1.600	06/30/03	100.000	90,000.00	90,000.00		0.00
06/26/03	06/26/03	Mature	500,000	313384HJ1	FHLB Discount Note	0.000	06/26/03	100.000	500,000.00	500,000.00		0.00
06/25/03	06/25/03	Mature	1,000,000	313384HH5	FHLB Discount Note	0.000	06/25/03	100.000	1,000,000.00	1,000,000.00		0.00
06/25/03	06/25/03	Mature	1,000,000	313588HH1	FNMA Discount Note	0.000	06/25/03	100.000	1,000,000.00	1,000,000.00		0.00
06/19/03	06/20/03	Buy	500,000	313384HJ1	FHLB Discount Note	0.000	06/26/03	99.983	499,916.67	499,916.67	1.01%	0.00
06/18/03	06/18/03	Mature	405,000	31331R WK7	FFCB	5.700	06/18/03	100.000	405,000.00	405,000.00		0.00
06/15/03	06/15/03	Mature	344,000	3134A4FF6	FHLMC Global	4.500	06/15/03	100.000	344,000.00	344,000.00		0.00
06/11/03	06/12/03	Buy	1,500,000	313396HN6	FHLMC Discount Note	0.000	06/30/03	99.943	1,499,137.50	1,499,137.50	1.17%	0.00
06/11/03	06/11/03	Mature	750,000	313588GT6	FNMA Discount Note	0.000	06/11/03	100.000	750,000.00	750,000.00		0.00
06/10/03	06/10/03	Mature	500,000	313396GS6	FHLMC Discount Note	0.000	06/10/03	100.000	500,000.00	500,000.00		0.00
06/04/03	06/05/03	Buy	700,000	313588HN8	FNMA Discount Note	0.000	06/30/03	99.917	699,421.53	699,421.53	1.21%	0.00
06/03/03	06/04/03	Buy	500,000	313588HN8	FNMA Discount Note	0.000	06/30/03	99.914	499,570.28	499,570.28	1.21%	0.00
06/03/03	06/03/03	Mature	1,000,000	31331RVH5	FFCB	5.720	06/03/03	100.000	1,000,000.00	1,000,000.00		0.00
06/02/03	06/02/03	Mature	500,000	3133M4KM4	FHLB	5.865	06/02/03	100.000	500,000.00	500,000.00		0.00
06/02/03	06/02/03	Wdrwl	5,727,183	-CASH-	Cash/Money Market				5,727,183.41	5,727,183.41		0.00
06/01/03	06/01/03	Contr	1,063	-CASH-	Cash/Money Market				1,063.00	1,063.00		0.00
Total												0.00

Cash Reconciliation

Penn Manor School District General Fund

Beginning Cash Balance	5,765,239.87
Buy	-4,757,635.15
Management Fee	-1,063.00
Wdrwl	-5,727,183.41
Contr	1,063.00
Coupon	110,568.78
Income	761.34
Mature	13,865,000.00
Ending Cash Balance	9,256,751.43

Summary of Portfolio Changes

Penn Manor School District General Fund

Beginning Market Value plus Accrued Income		16,533,040.57
Contributions	1,063.00	
Withdrawal / Management Fee	(5,728,246.41)	
<i>Total Contributions, Withdrawals, and Management Fee</i>		<i>(5,727,183.41)</i>
Interest Received	111,330.12	
Interest Purchased	(20,979.17)	
Amortization Change	565.40	
Ending Accrued Income	20,979.17	
Beginning Accrued Income	(100,741.53)	
Accrued Income Change	(79,762.36)	
<i>Total Earned Income</i>		<i>11,153.99</i>
Ending Market Value	10,795,188.93	
Ending Book Value	(10,795,361.43)	(172.50)
Beginning Market Value	16,432,299.04	
Beginning Book Value	(16,431,628.49)	670.55
Change in Unrealized Gain/Loss		(843.05)
Realized Gain/Loss		0.00
<i>Change in Market Value</i>		<i>(843.05)</i>
Total Investment Change		(5,716,872.47)
Ending Market Value plus Accrued Income		10,816,168.10

Amortization Reconciliation

Penn Manor School District General Fund

Purchase / Sale Date	Quantity (Units)	Security Description	Ending Market Value	Original Cost	Beginning Book Value	Principal Purchased	Current Month Am/Ac	Principal Received	Realized Gain/Loss	Ending Book Value	Unrealized Gain/Loss
	9,256,751.00	Cash/Money Market	9,256,751.43	9,256,751.43	5,765,239.87	3,491,511.56	0.00	0.00	0.00	9,256,751.43	0.00
		-CASH-									
06/30/03	1,500,000.00	FNMA Global 4.750 03/15/04 31359MHJ5	1,538,437.50	1,538,610.00	0.00	1,538,610.00	0.00	0.00	0.00	1,538,610.00	-172.50
08/14/02		FFCB 6.230 06/30/03 31331HXA0			702,600.66	0.00	-2,600.66	700,000.00	0.00	0.00	0.00
08/28/02		FFCB 5.720 06/03/03 31331RVH5			1,000,212.70	0.00	-212.70	1,000,000.00	0.00	0.00	0.00
10/04/02		FFCB 5.700 06/18/03 31331RWK7			405,753.24	0.00	-753.24	405,000.00	0.00	0.00	0.00
10/31/02		FHLB 5.865 06/02/03 3133M4KM4			500,057.77	0.00	-57.77	500,000.00	0.00	0.00	0.00
05/27/03		FHLB Discount Note 0.000 06/25/03 313384HH5			999,173.61	0.00	826.39	1,000,000.00	0.00	0.00	0.00
06/19/03		FHLB Discount Note 0.000 06/26/03 313384HJ1			0.00	499,916.67	83.33	500,000.00	0.00	0.00	0.00
05/23/03		FHLMC Discount Note 0.000 06/10/03 313396GS6			499,836.81	0.00	163.19	500,000.00	0.00	0.00	0.00
05/27/03		FHLMC Discount Note 0.000 06/30/03 313396HN6			921,085.68	1,499,137.50	1,776.82	2,422,000.00	0.00	0.00	0.00
11/27/02		FHLMC Global 4.500 06/15/03 3134A4FF6			344,414.27	0.00	-414.27	344,000.00	0.00	0.00	0.00
08/28/02		FNMA 6.050 06/30/03 31364AZT2			845,939.22	0.00	-2,939.22	843,000.00	0.00	0.00	0.00
05/27/03		FNMA Discount Note 0.000 06/11/03 313588GT6			749,727.29	0.00	272.71	750,000.00	0.00	0.00	0.00
05/23/03		FNMA Discount Note 0.000 06/25/03 313588HH1			999,184.03	0.00	815.97	1,000,000.00	0.00	0.00	0.00
05/21/03		FNMA Discount Note 0.000 06/30/03 313588HN8			2,608,410.76	1,198,991.81	3,597.43	3,811,000.00	0.00	0.00	0.00
12/20/02		Memphis First Bank 1.600 06/30/03 586262AC1			89,992.58	0.00	7.42	90,000.00	0.00	0.00	0.00
Total			10,795,188.93	10,795,361.43	16,431,628.49	8,228,167.54	565.40	13,865,000.00	0.00	10,795,361.43	-172.50

Income Reconciliation

Penn Manor School District General Fund

Purchase Date	Sale Date	CUSIP	Quantity (Units)	Security Description	Coupon Rate	Maturity Date	Beginning Accrued Income	Current Month Int. Earned	Interest Purchased	Interest Received	Ending Accrued Income
		-CASH-	9,256,751.00	Cash/Money Market			0.00	761.34	0.00	761.34	0.00
06/30/03		31359MHJ5	1,500,000.00	FNMA Global	4.750	03/15/04	0.00	0.00	20,979.17	0.00	20,979.17
08/14/02		31331HXA0		FFCB	6.230	06/30/03	18,291.97	3,513.03	0.00	21,805.00	0.00
08/28/02		31331RVH5		FFCB	5.720	06/03/03	28,282.22	317.78	0.00	28,600.00	0.00
10/04/02		31331RWK7		FFCB	5.700	06/18/03	10,452.38	1,090.12	0.00	11,542.50	0.00
10/31/02		3133M4KM4		FHLB	5.865	06/02/03	14,581.04	81.46	0.00	14,662.50	0.00
05/27/03		313384HH5		FHLB Discount Note	0.000	06/25/03	0.00	0.00	0.00	0.00	0.00
06/19/03		313384HJ1		FHLB Discount Note	0.000	06/26/03	0.00	0.00	0.00	0.00	0.00
05/23/03		313396GS6		FHLMC Discount Note	0.000	06/10/03	0.00	0.00	0.00	0.00	0.00
05/27/03		313396HN6		FHLMC Discount Note	0.000	06/30/03	0.00	0.00	0.00	0.00	0.00
11/27/02		3134A4FF6		FHLMC Global	4.500	06/15/03	7,138.00	602.00	0.00	7,740.00	0.00
08/28/02		31364AZT2		FNMA	6.050	06/30/03	21,392.30	4,108.45	0.00	25,500.75	0.00
05/27/03		313588GT6		FNMA Discount Note	0.000	06/11/03	0.00	0.00	0.00	0.00	0.00
05/23/03		313588HH1		FNMA Discount Note	0.000	06/25/03	0.00	0.00	0.00	0.00	0.00
05/21/03		313588HN8		FNMA Discount Note	0.000	06/30/03	0.00	0.00	0.00	0.00	0.00
12/20/02		586262AC1		Memphis First Bank	1.600	06/30/03	603.62	114.41	0.00	718.03	0.00
Total							100,741.53	10,588.59	20,979.17	111,330.12	20,979.17

Disclaimer

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