

Voyageur ASSET MANAGEMENT INC.

***Penn Manor School District General
Fund
July 31, 2006***

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Economic Review & Outlook – 2nd Quarter 2006

Fed: The Fed hiked the funds rate by another 25 basis points for the 17th consecutive time since June 2004. The policy language coming out of the meeting indicated a bias toward raising rates further, but was nebulous enough to allow for a pause in policy if the upcoming economic numbers justify it. Clearly the Fed is hoping for a moderation in demand growth that will limit inflation pressures over time. The issue is whether a slowing in demand will occur soon enough to minimize inflation pressures.

Two years have now passed since the Federal Reserve started raising interest rates. Even after this extended period of time, the end to this cycle is still open for debate. Futures markets are currently pricing in a peak Fed funds rate of 5.50%, although that same market is also currently assigning a 16% chance of a 5.75% rate by the end of this year.

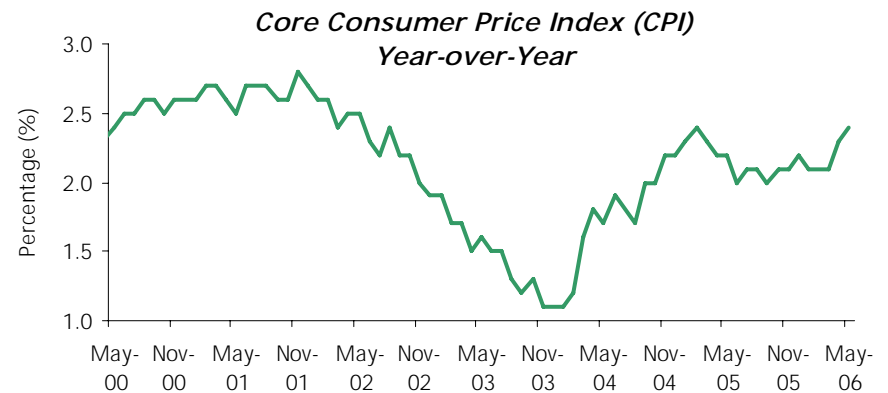
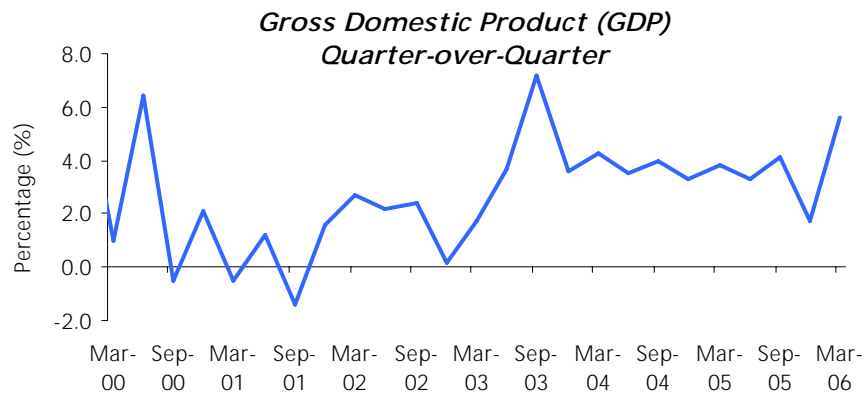
Employment: As economic activity has slowed, employment growth has also decelerated. Growth in non-farm payrolls averaged 213,000 during the November through February period, but has downshifted since, with monthly payroll gains averaging approximately 125,000. The unemployment rate is currently at 4.6%, and should creep higher, but maybe not fast enough to relieve Fed officials' concern about wage inflation pressures.

Economic Growth: Final GDP growth for the first quarter of 5.6% was as expected, but consumer spending was slightly weaker. Looking forward, most economists expect economic growth to slow over the balance of 2006, but few expect the deceleration to be significant. Long-term interest rates have risen near 1% since the beginning of the year, but current levels are having only a moderate "bite" on the economy.

Housing starts represent only 5% of GDP, but is usually the "swing" factor for GDP. Homebuilding stocks, generally a leading indicator for sales and starts, are 40% lower than their year-ago highs. This is probably one of the clearest signs that the housing market is past its prime and ultimately gives us a vision of future economic growth.

Inflation: The Personal Consumption Expenditures Index (PCE) is not indicating the same worrisome acceleration as the core CPI, mostly because PCE does not weigh housing costs as heavily. Nevertheless, the core PCE has accelerated to 2.1%, slightly above the perceived 2.0% comfort level of the Fed.

Consumer Confidence: Confidence continues to exist among most consumers. But there is evidence that the best days for the consumer in this cycle may be behind us. While the confidence indicators have been directionless for most of the year, future plans to buy either a home or motor vehicle are generally approaching their weakest readings for the year.

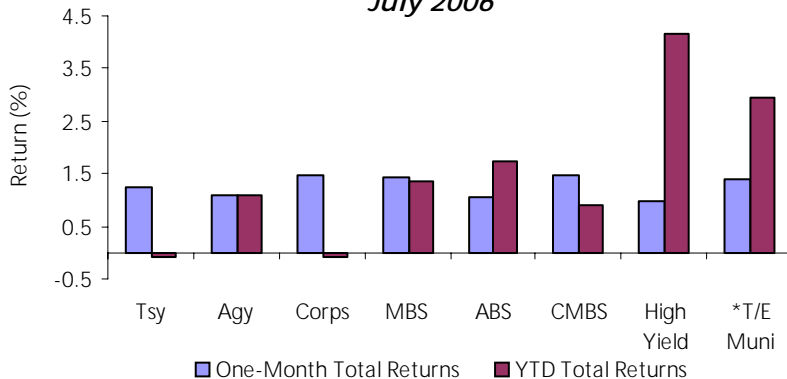


Fixed Income Market Summary

- After several months of meager returns, the fixed income markets finally showed some life. Total returns in virtually all major sectors were up more than 1% in July. Leading the way with returns of almost 1½% for the month were the CMBS, MBS, and corporate sectors.
- Much of the positive price performance in the fixed income markets for the month was due to a change in thinking by market participants. A weak GDP report confirmed suspicions that the economy is clearly slowing and that the probability of Federal Reserve activity to raise rates in August has been greatly diminished. A slower housing market and a decline in consumer spending seem to be the two major factors contributing to the recent slide in economic activity.
- Mortgage-backed securities have shown good year-to-date performance. This sector is benefiting from the increasing potential for a steepening of the yield curve and also the potential for market participants to swap from the corporate sector into higher-quality mortgage securities as the economy weakens.

- The yield curve has recently taken on a bowl shape as intermediate yields are lower than interest rates at either the short or long end. Investors have begun to move to more bulleted portfolio structures in anticipation of a steeper yield curve.
- Tax-exempt municipal bonds, when viewed on a taxable equivalent basis, continue to turn out strong monthly performance. Other than high yield bonds rated in the BB rating category or below, municipal bonds have strongly out-distanced returns in other taxable fixed income sectors. Strong corporate profits and a yield curve that remains relatively steep are both contributing to aggressive buying in this sector.
- After having been inverted by as much as 20 basis points in late February, and steepened to as much as 30 basis points in mid May, the Treasury curve between 30- and 2-years continues to hover at a slightly positive spread.
- Research by Stone & McCarthy continues to show market participants managing portfolios with interest rate risk levels below their respective benchmarks and cash levels between 4% and 5%. This gives the impression that investors are still jittery about whether there will be further Federal Reserve action in upcoming months.

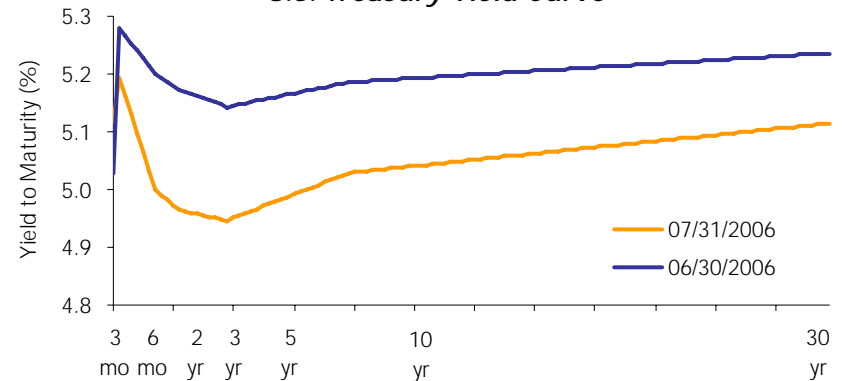
**Fixed Income Total Return Performance by Sector
July 2006**



*Income portion of return adj. at 35% tax rate

Source: Lehman Brothers

U.S. Treasury Yield Curve



Investment Policy Date

7/12/1999

Portfolio Asset Class

Fixed

Investment Strategy

Core Cash Management

Please advise your Relationship Manager or Client Service contact promptly if a revision has been made to your investment policy subsequent to the date shown or in the event of a material change in your current investment strategy.

Your account's investment policy can be viewed online at www.voyageur.net - Clients Only or clients.voyageur.net. Please contact any of your team members listed on the Contacts page with any questions or comments you may have concerning your investment policy or access to our Internet client site.

Portfolio Asset Allocation

Penn Manor School District General Fund

	Quantity (Units)	Amortized Cost	Market Value	Book Yield	Estimated Income	Percent Assets
Cash	436,136	436,135.67	436,135.67	4.86%	21,196.19	3.82%
Fixed Income	11,250,000	10,992,877.84	10,988,775.48	5.22%	0.00	96.18%
Total	11,686,136	11,429,013.51	11,424,911.15	5.21%	21,196.19	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	Book Yield	Avg Life	Mod Dur	Percent Assets
Cash/MMF			436,136	Cash/Money Market -CASH-	436,135.67	436,135.67	0.00	0.00	4.86%	0.00	0.00	3.82%
Agency	AGY/AGY	07/07/06	1,000,000	FHLB Discount Note 0.000 08/02/06 313385A48	999,713.61	999,712.78	-0.83	0.00	5.16%	0.01	0.01	8.75%
	AGY/AGY	07/07/06	2,500,000	FHLB Discount Note 0.000 08/16/06 313385C20	2,494,262.22	2,494,233.33	-28.89	0.00	5.14%	0.04	0.04	21.82%
	AGY/AGY	07/07/06	1,000,000	FNMA Discount Note 0.000 08/30/06 313589D83	995,666.67	995,658.33	-8.34	0.00	5.20%	0.08	0.08	8.71%
	AGY/AGY	07/07/06	1,000,000	FNMA Discount Note 0.000 09/13/06 313589F65	993,607.78	993,632.22	24.44	0.00	5.23%	0.12	0.12	8.70%
	AGY/AGY	07/11/06	750,000	FNMA Discount Note 0.000 11/29/06 313589R39	736,664.79	736,614.38	-50.41	0.00	5.29%	0.33	0.33	6.45%
	AGY/AGY	07/07/06	1,000,000	FHLMC Discount Note 0.000 05/09/07 313396FJ7	958,796.66	958,013.33	-783.33	0.00	5.26%	0.77	0.77	8.39%
	AGY/AGY	07/05/06	2,000,000	FHLMC Discount Note 0.000 05/29/07 313396GE7	1,911,883.11	1,910,071.11	-1,812.00	0.00	5.25%	0.83	0.83	16.72%
	AGY/AGY	07/05/06	2,000,000	FNMA Discount Note 0.000 06/29/07 313588HM0	1,902,283.00	1,900,840.00	-1,443.00	0.00	5.28%	0.91	0.91	16.64%
Subtotal			11,250,000		10,992,877.84	10,988,775.48	-4,102.36	0.00	5.22%	0.42	0.42	96.18%
Total			11,686,136		11,429,013.51	11,424,911.15	-4,102.36	0.00	5.21%	0.40	0.40	100.00%

Transaction Detail

Penn Manor School District General Fund

Trade Date	Settlement Date	Trans Type	Quantity (Units)	CUSIP	Security Description		Trans Price	Net Amount	Trade Yield	Realized Gain/Loss
07/27/06	07/28/06	Buy	1,500,000	313385C20	FHLB Discount Note	0.000 08/16/06	99.727	1,495,899.17	5.27%	0.00
07/11/06	07/12/06	Buy	750,000	313589R39	FNMA Discount Note	0.000 11/29/06	97.943	734,570.83	5.48%	0.00
07/07/06	07/10/06	Buy	1,000,000	313385C20	FHLB Discount Note	0.000 08/16/06	99.472	994,717.22	5.24%	0.00
07/07/06	07/10/06	Buy	1,000,000	313385A48	FHLB Discount Note	0.000 08/02/06	99.671	996,706.53	5.24%	0.00
07/07/06	07/10/06	Buy	1,000,000	313396FJ7	FHLMC Discount Note	0.000 05/09/07	95.573	955,728.33	5.52%	0.00
07/07/06	07/10/06	Buy	1,000,000	313589F65	FNMA Discount Note	0.000 09/13/06	99.056	990,556.94	5.35%	0.00
07/07/06	07/10/06	Buy	1,000,000	313589D83	FNMA Discount Note	0.000 08/30/06	99.263	992,633.33	5.31%	0.00
07/05/06	07/06/06	Buy	2,000,000	313396GE7	FHLMC Discount Note	0.000 05/29/07	95.229	1,904,588.67	5.52%	0.00
07/05/06	07/06/06	Buy	2,000,000	313588HM0	FNMA Discount Note	0.000 06/29/07	94.747	1,894,946.89	5.58%	0.00
07/01/06	07/01/06	Contr	3,049	-CASH-	Cash/Money Market			3,049.20		0.00
Total										0.00

Cash Reconciliation

Penn Manor School District General Fund

<i>Beginning Cash Balance</i>	<i>11,380,597.21</i>
Buy	-10,960,347.91
Management Fee	-3,049.20
Contr	3,049.20
Income	15,886.37
<i>Ending Cash Balance</i>	<i>436,135.67</i>

Summary of Portfolio Changes

Penn Manor School District General Fund

<i>Beginning Market Value plus Accrued Income</i>		<i>11,380,597.21</i>
Contributions	3,049.20	
Withdrawal / Management Fee	(3,049.20)	
<i>Total Contributions, Withdrawals, and Management Fee</i>		<i>0.00</i>
Interest Received	15,886.37	
Interest Purchased	0.00	
Amortization Change	32,529.93	
Ending Accrued Income	0.00	
Beginning Accrued Income	0.00	
Accrued Income Change	0.00	
<i>Total Earned Income</i>		<i>48,416.30</i>
Ending Market Value	11,424,911.15	
Ending Book Value	(11,429,013.51)	(4,102.36)
Beginning Market Value	11,380,597.21	
Beginning Book Value	(11,380,597.21)	0.00
Change in Unrealized Gain/Loss	(4,102.36)	
Realized Gain/Loss	0.00	
<i>Change in Market Value</i>		<i>(4,102.36)</i>
<i>Total Investment Change</i>		<i>44,313.94</i>
<i>Ending Market Value plus Accrued Income</i>		<i>11,424,911.15</i>

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
	436,136.00	Cash/Money Market	436,135.67	436,135.67	11,380,597.21	0.00	0.00	10,944,461.54	0.00	436,135.67	0.00
		-CASH-									
07/07/06	1,000,000.00	FHLB Discount Note 0.000 08/02/06 313385A48	999,712.78	996,706.53	0.00	996,706.53	3,007.08	0.00	0.00	999,713.61	-0.83
07/07/06	2,500,000.00	FHLB Discount Note 0.000 08/16/06 313385C20	2,494,233.33	2,490,616.39	0.00	2,490,616.39	3,645.83	0.00	0.00	2,494,262.22	-28.89
07/07/06	1,000,000.00	FHLMC Discount Note 0.000 05/09/07 313396FJ7	958,013.33	955,728.33	0.00	955,728.33	3,068.33	0.00	0.00	958,796.66	-783.33
07/05/06	2,000,000.00	FHLMC Discount Note 0.000 05/29/07 313396GE7	1,910,071.11	1,904,588.67	0.00	1,904,588.67	7,294.44	0.00	0.00	1,911,883.11	-1,812.00
07/05/06	2,000,000.00	FNMA Discount Note 0.000 06/29/07 313588HMO	1,900,840.00	1,894,946.89	0.00	1,894,946.89	7,336.11	0.00	0.00	1,902,283.00	-1,443.00
07/07/06	1,000,000.00	FNMA Discount Note 0.000 08/30/06 313589D83	995,658.33	992,633.33	0.00	992,633.33	3,033.34	0.00	0.00	995,666.67	-8.34
07/07/06	1,000,000.00	FNMA Discount Note 0.000 09/13/06 313589F65	993,632.22	990,556.94	0.00	990,556.94	3,050.84	0.00	0.00	993,607.78	24.44
07/11/06	750,000.00	FNMA Discount Note 0.000 11/29/06 313589R39	736,614.38	734,570.83	0.00	734,570.83	2,093.96	0.00	0.00	736,664.79	-50.41
Total			11,424,911.15	11,396,483.58	11,380,597.21	10,960,347.91	32,529.93	10,944,461.54	0.00	11,429,013.51	-4,102.36

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-	436,136.00	Cash/Money Market			0.00	15,886.37	0.00	15,886.37	0.00
07/07/06		313385A48	1,000,000.00	FHLB Discount Note	0.000	08/02/06	0.00	0.00	0.00	0.00	0.00
07/07/06		313385C20	2,500,000.00	FHLB Discount Note	0.000	08/16/06	0.00	0.00	0.00	0.00	0.00
07/07/06		313396FJ7	1,000,000.00	FHLMC Discount Note	0.000	05/09/07	0.00	0.00	0.00	0.00	0.00
07/05/06		313396GE7	2,000,000.00	FHLMC Discount Note	0.000	05/29/07	0.00	0.00	0.00	0.00	0.00
07/05/06		313588HM0	2,000,000.00	FNMA Discount Note	0.000	06/29/07	0.00	0.00	0.00	0.00	0.00
07/07/06		313589D83	1,000,000.00	FNMA Discount Note	0.000	08/30/06	0.00	0.00	0.00	0.00	0.00
07/07/06		313589F65	1,000,000.00	FNMA Discount Note	0.000	09/13/06	0.00	0.00	0.00	0.00	0.00
07/11/06		313589R39	750,000.00	FNMA Discount Note	0.000	11/29/06	0.00	0.00	0.00	0.00	0.00
Total							0.00	15,886.37	0.00	15,886.37	0.00

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The performance figures in this report represent the past performance of your account and do not guarantee future results. Gross performance returns for the account will be reduced by management fees and any other expenses incurred in the management of the account.

Please advise your Relationship Manager or Client Service contact promptly in the event of a material change in your investment strategy.

Taxable clients are advised to consult with their tax advisor to determine the actual basis to use in tax reporting as well as with any questions concerning the tax impact of gains or losses on securities or income earned in your account.

Sources of Information: Bloomberg The Yield Book, FT Interactive Data, Portia, and various other sources from time to time, as may be referenced on the report page of their use.

Portfolio Analytic data such as Market Yield, Average Life, Modified Duration and Effective Duration provided by The Yield Book where available.

Offer of Form ADV

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